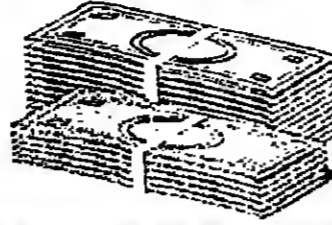


FINANCIAL TIMES

Start the week with...



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Lucy Kellaway
Life on Planet Boardroom

World Business Newspaper <http://www.FT.com>

MONDAY OCTOBER 14 1996

VW awaits court ruling in row with General Motors

The bitter dispute between General Motors of the US and Volkswagen of Germany is set to flare this week when a court in Detroit rules on whether GM has a valid case against Volkswagen for alleged industrial espionage. The dispute stems from VW's recruitment in 1993 of José Ignacio López (left), GM's head of worldwide purchasing. In a complex set of legal actions, GM claimed Mr López and several other GM employees who moved with him took confidential material relating to components purchasing and new car plants. VW has denied the charges. Page 18

Hilton executives quit: Three top Hilton Hotels executives, including the group's former president, resigned amid admissions of "mistakes" over a \$250,000 grant paid during negotiations to open a floating casino in Kansas City, Missouri. Page 19

Boost for Mars in ice cream battle: Attempts by Mars to weaken Unilever's leading position in the £15bn (\$23bn) a year European ice cream market will be boosted this week when Brussels renews its attack on a Unilever selling practice in Ireland. Page 18

Sales of city car likely to disappoint: Sales of the Smart, a two-seat city car being developed by German carmaker Mercedes-Benz and Swiss watchmaker SMH, will be less than half the level projected by its backers, research shows. Page 19

Brazil plans \$6.5bn cuts: Brazilian plans to cut public spending by \$6.5bn next year were welcomed as evidence that ministers were responding to concern over the budget deficit. Page 6

Slow for Austria's Social Democrats: Austria's ruling Social Democrats suffered their worst election results in ballots for the European parliament and Vienna city council. Page 18

Taliban hit by heavy fighting: Fighters loyal to Afghanistan's deposed government hit Taliban Islamic rebels with a series of attacks in heavy fighting north of the capital. The Taliban controls two thirds of Afghanistan, where it has imposed its strict interpretation of Islamic law. Page 2

Greek-Cypriot shot dead: Turkish-Cypriot security forces shot dead a Greek-Cypriot fisherman in the Turkish-held northern sector, amid heightened tensions in the divided Mediterranean island. Page 2

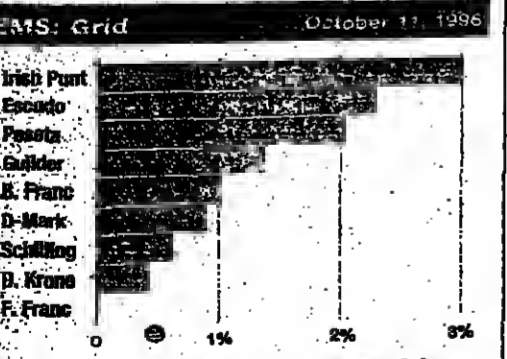
Burundi sanctions prompt talks: Economic sanctions by East African countries neighbouring Burundi appear to have brought the country's Tutsi leader, Major Pierre Buyoya, to talks with the majority Hutu group. Page 5

to clear winner in New Zealand poll: Talks between New Zealand's four main political parties began after the weekend's election aimed to throw up a clear winner but favoured the formation of a centre-left government. Page 4; Observer, Page 17

Hill takes world championship: Britain's Damon Hill took the Formula One world drivers' championship when he won the Japanese grand prix in a Williams Renault. His only rival, teammate Jacques Villeneuve, failed to finish. Page 12; Observer, Page 17; Brands Hatch sets sights on 59% profits rise. Page 20

Le Crocodile' Lacoste dies: René Lacoste, the French tennis champion who transformed his nickname "Le Crocodile" into a status symbol on sports shirts around the world, died aged 82. He was the world's No. 1 player in 1926 and 1927. Observer, Page 17

European Monetary System: The continued strength of the Irish punt, and a fall in the French franc towards the end of last week, saw the member currencies of the EMS all further apart. The punt's spread over the French franc was 2.97 per cent by the close of trading in Europe on Friday. Currencies, page 27



The chart shows the member currencies of the exchange rate mechanism measured against the pound sterling in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The FT web site provides online news, comment and analysis at <http://www.FT.com>

Markka's entry increases pressure on Italian lira

Euro plan gets boost as Finland joins ERM

By Lionel Barber in Brussels and Hugh Carnegie in Stockholm

Finland will today formally join the European Union's exchange rate mechanism, strengthening momentum towards the launch of the planned European single currency - the euro - in 1999. The Finnish decision is the latest signal that EU member states are making strong efforts, including unprecedented budget cuts, to meet the Maastricht treaty targets for economic and monetary union.

The terms of entry for the Finnish markka into the ERM currency grid - at 3.04 to the German D-Mark and 5.80661 to the Ecu, the European basket currency - were agreed at a five-hour meeting of the EU's monetary committee in Brussels on Saturday.

Finland's decision puts the spotlight on the Italian government, which has expressed interest over the past 12 months in bringing the lira back into the ERM, following its ejection along with the pound in the September 1992 currency crisis.

Informal talks on a satisfactory lira parity with the D-Mark are expected to begin soon, possibly today at a meeting of EU finance ministers in Luxembourg. The weekend agreement ends a four-year float for the markka and marks a bold break with neighbouring Sweden, which has adopted a wait-and-see policy toward the ERM and monetary union.

Despite some predictions in the financial markets that the Finnish move could put upward pressure on Swedish interest rates, Mr Erik Asbrink, Sweden's finance minister, said Stockholm's view was that the time was not right to join the ERM. Mr Asbrink reiterated Swe-

den's position, shared by Britain, that participation in the ERM is not a precondition for Euro membership. But Mr Theo Waigel, the German finance minister, said Finland's decision supported Bonn's view that ERM membership was an "indispensable precondition" for joining Euro.

Mr Waigel's remarks were a reminder to Britain, Italy, Sweden and Greece - the EU countries outside ERM - that Germany believes all the Maastricht criteria are important for Euro membership. The Maastricht treaty stipulates that countries must respect the "normal" fluctuation margins provided by the ERM without severe tensions for at least two of the last years. The other criteria cover public deficits, government debt, inflation and interest rates.

Britain and Sweden argue that the Maastricht terms do not take account of the turmoil in August 1993 which led to a suspension of the old ERM and to the creation of a looser system with wider fluctuation bands of 15 per cent.

Mr Paavo Lipponen, Finland's prime minister, said the ERM move guaranteed that Finland would meet all the Maastricht criteria. "I am aware that there are different interpretations [of the treaty]. This, we hope, removes all doubts as far as Finland is concerned."

Mr Jacques Santer, president of the European Commission, and Mr Yves-Thibault de Sil-guy, EU monetary affairs commissioner, hailed the decision as strengthening the credibility of the ERM and monetary stability in Europe.



Israeli soldiers check the papers of an Arab from the West Bank after the government eased restrictions on Palestinians entering Israel for business purposes. Picture: AP

Palestinians say peace talks 'going nowhere'

By Judy Dempsey in Jerusalem

The chief Palestinian negotiator in peace talks with Israel yesterday said Israel was reopening agreements, a move that could jeopardise the peace process.

Mr Saeb Erekat, head of the Palestinian delegation, made the accusation - denied by Israel - as talks due to resume today in the Egyptian Red Sea resort of Taba were postponed. He said the negotiations were "going nowhere", as Israel sought to change the terms agreed last year for the long-delayed redeployment of Israeli troops from the West Bank town of Hebron.

Mr Erekat said the Israeli delegation wanted to create a buffer zone between Hebron's centre and surroundings, redraw certain zones to reduce Palestinian control and limit Palestinian forces in the area. Israeli officials deny demanding any changes to the agreement. They insisted yesterday they only wanted to improve security for the 415 Jewish settlers in the 130,000-strong Arab town.

Advisers to French state bank in search for buyer

By Andrew Jack in Paris

Banque Paribas, one of the last French banks still owned by the state, is identifying potential buyers. In the first step towards a privatisation which could be launched as early as the start of next year.

With Crédit Lyonnais being prepared for privatisation, and CIC and Paribas de Crédit already up for sale, Hervet is the last government-controlled bank not involved in sell-off discussions.

Executives at the bank are believed to have hired Lazard Frères, the investment bank, to advise them on possible buyers, who will be approached over the next few weeks. If and when suitable candidates have been identified, the French government is expected to launch a tender offer for the bank rather than a public share offering.

Under current plans, Hervet is likely to be sold to a single buyer, from France or elsewhere. Potential bidders from outside Europe have not been ruled out.

Banque Paribas, founded in 1830, has a retail network concentrated in Paris and central France. It has many moderately wealthy individual clients, and a strong base of small- and medium-sized businesses. In January, it bought a large proportion of Citibank's clients in France.

The efforts to find a buyer ahead of launching the process are designed to avoid embarrassing difficulties encountered in other bank privatisations.

There are believed to have been only two firm bids for CIC, the retail bank controlled by the GAN insurance group, both from French competitors. Paribas de Crédit has also had problems finding buyers since the process for its sell-off in a trade sale was formally announced earlier this year. Banque Française de Commerce Extérieur was sold to Crédit National late

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Sugar for the pill, Page 17;
Lex, Page 18

Mexico scales back move for energy industry sell-off

By Daniel Dombey in Mexico City

The Mexican government has abandoned plans for wholesale privatisation of much of the petrochemicals industry in the face of intense political opposition. The sale had been thought likely to net \$1.5bn.

The move is an embarrassment for President Ernesto Zedillo whose attempts at state sell-offs have been damaged by political tensions arising from Mexico's economic problems and by suspicion and resentment about the previous government's privatisations. More than \$120m of uncertain origin has been discovered in accounts held by Mr Raúl Salinas, brother of former President Carlos Salinas.

The government had planned to sell majority stakes in 61 plants producing derivative petrochemicals such as ammonia and ethylene. The bidding process for one ammonia-producing petrochemical complex, Cosoleacaque, was abandoned yesterday. The process had been suspended earlier this year. Bidders included Norsk Hydro of Norway and two US fertiliser companies.

Yesterday's announcement was precipitated by a ruling by the comptroller's office, which oversees the regulations for divesting state assets, that the

laws defining which petrochemical facilities could be privatised needed clarification and reform. Because it was far from certain that Congress would vote for the necessary legal changes without big compromises, the government decided to carry out only a partial privatisation.

Mexico's oil industry, which was nationalised in 1938, is highly sensitive politically, with deep-rooted opposition to foreign ownership. Last month, sections of Mr Zedillo's ruling Institutional Revolutionary party vociferously opposed the planned petrochemical privatisation.

Dr Reyes-Heroles said the measures would be presented to Congress immediately and that the government expected sales of minority stakes in Pemex's petrochemical subsidiaries to begin during the second half of 1997.

The government had originally planned to sell stakes of 70 to 80 per cent in petrochemical plants in a process scheduled to end midway through this year.

CONTENTS table listing various sections and page numbers.

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NEWS: EUROPE

Finland jumps aboard the European single currency bandwagon while hesitant neighbours fear implications

Finland out to prove its euro-worthiness

In joining the ERM, Helsinki is showing it is keen to be up with the monetary union elite

The European bandwagon heading toward economic and monetary union has stopped to pick up a new passenger. After several weeks of dithering over the precise timing, Finland made its long-expected move at the weekend to join the exchange rate mechanism.

The decision is much more than a declaration of intent about currency and monetary stability, it shows Finland is leaving nothing to chance in its attempt to join the elite group built around France and Germany which plans to launch Emu on January 1 1999.

Finland has pointedly ignored arguments in Britain and Sweden that participation in the currency grid should not be a precondition for joining the monetary union. Instead, Helsinki has sided with Franco-German orthodoxy in favour of a strict reading of all provisions of the Maastricht treaty, not just the familiar ones on budgetary rigour.

In political terms, the ERM move marks a break with Sweden, Finland's bigger neighbour which has

adopted a "wait-and-see" attitude towards Emu membership, repeating yesterday that it has no early intention of joining the ERM.

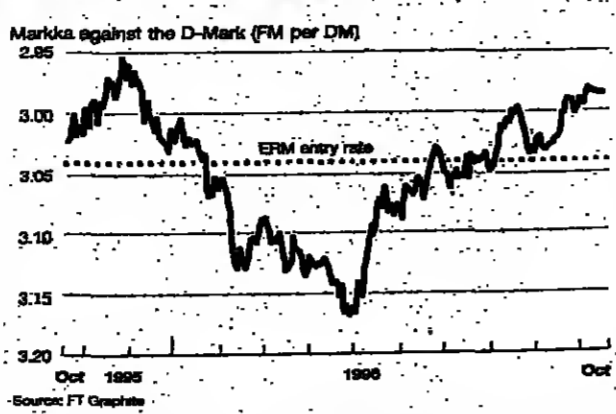
Finland followed Sweden in applying to join the European Union and the two countries became members together last year. But Finland has since pushed ahead with integration into the EU with far greater enthusiasm than the Euro-sceptic Swedes.

With its long border and history of fraught relations with Russia, Finland sees membership of the economic and political core of the European Union as a vital security issue.

Mr Paavo Lipponen, the prime minister, stressed that the time had come to de-couple from Sweden. "Our performance in the markets has not been tied to the situation in Sweden for some time," he said, referring to Sweden's slower progress in balancing its public finances.

Mr Lipponen said his Social Democratic-led coalition had been preparing to enter the ERM since early this year. The move capped

Finland finds its level



a determined effort by Finland to regain control of public finances following a deep recession in the early 1990s when it was twice forced to devalue and float the markka.

The general budget deficit has been brought down to an expected level this year of 2.9 per cent of gross domestic product - within the Maastricht conditions - from 8 per cent in 1993.

State debt should be close to the Maastricht maximum of 60 per cent of GDP next

year and inflation and interest rates have been brought down to benchmark levels. The markka meanwhile has traded close to its ERM entry level of FM3.04 to the D-Mark for most of the past two years.

Crucially, Mr Lipponen won acceptance for joining the ERM from the powerful pulp and paper industry. It had feared the rival Swedish forest industry could gain a vital export advantage if the markka was fixed while the krona still floated. But

industry leaders said they were satisfied with the ERM entry level and reassured by the ERM's 15 per cent fluctuation bands.

The immediate consequence of the Finnish move will be to put pressure on Sweden to reconsider its "wait-and-see" position.

It also seems likely to influence the Italian government which has been toying with the idea of re-entering the currency mechanism for at least 12 months.

Italy wants to defuse tensions with France where President Jacques Chirac has sharply and persistently criticised the lira for being undervalued. But the most serious argument in favour of rejoining the ERM is the same which swayed Finland: fear of being left out of the first wave of countries to participate in monetary union.

Last week the Italian parliament formally endorsed the centre-left government's plans to cut the 1997 budget deficit to the Maastricht target of 3 per cent of GDP. The vote strengthens the prospect of the draconian fiscal package being adopted more

quickly than usual, possibly by mid-November.

This would allow the government of Mr Romano Prodi formally to open negotiations for re-entry of the lira into the ERM. The lira left, along with sterling, in the September 1992 currency crisis. Informal soundings on a satisfactory parity with the D-Mark are expected to begin soon, possibly as early as today at a meeting of EU finance ministers in Luxembourg.

If Italy were to rejoin the ERM, the British government's position would become uncomfortable. So far Mr Kenneth Clarke, the Chancellor of the Exchequer, under pressure from Conservative Euro-sceptics at home, has resisted French-led pressure to join the ERM.

In this sense, Finland's ERM move is a warning that time is running out for those who cannot make up their minds whether they want to be inside or outside the future euro zone.

Editorial Comment, Page 17

Lionel Barber and Hugh Carnegie

Reluctant Swedes fear Emu backlash

By Hugh Carnegie in Stockholm

The Swedish authorities will be watching the financial markets anxiously today for any negative reaction to Stockholm's decision not to follow neighbouring Finland into the European exchange rate mechanism.

There were warnings yesterday that Swedish long-term interest rates might rise because of concern over the Social Democratic government's reluctance to commit itself, as Finland has done, to the ERM and eventual membership of the European monetary union.

"The Swedish hesitancy over European currency co-operation contrasts from the markets' point of view in a disadvantageous way with Finland's firm and clear decision," said Mr Carl Hamilton, chief economist at Svenska Handelsbanken. "Sweden's relative credibility has been weakened."

But both the government and the Riksbank, the central bank, issued firm statements insisting, first, that the Finnish decision would have no influence on Sweden's position and, second, that there was no early prospect of moving the krona into the ERM.

Mr Erik Asbrink, the finance minister, restated the government's belief - which stands in stark contrast to the position expressed by his Finnish counterpart - that participation in the European Union partners as an essential pre-condition for Emu. "I don't believe membership of the ERM is necessary for joining Emu," he declared.

Sweden's position is influenced by the memory of late 1992 when an earlier move to link the krona to the Ecu ended in disaster, with the authorities at one point raising overnight lending rates to 500 per cent in a vain attempt to resist speculation against the krona. The government and the Riksbank want more time to establish a record of currency stability before putting the krona to the test once more.

But much more important today is the strong tide of anti-Emu - and specifically anti-Emu - sentiment flowing in the country and inside the Social Democratic party. Mr Asbrink and Mr Göran Persson, the prime minister, have indicated that they favour Swedish participation in Emu - but they have been forced to adopt a British-style "wait-and-see" position because of the weight of political opposition.

In the meantime, Mr Persson and Mr Asbrink have been at pains to stress that staying out of the ERM - Emu when it gets underway - means that Swedish financial policy must be extra tough to retain the confidence of the financial markets. Sweden - to its embarrassment - has been slower than Finland to get a grip on its public finances. But it is now doing so with a stringent fiscal policy and is confident it will achieve the main Emu criteria by next year.

Greek Cypriot shot dead in buffer zone

Turkish Cypriot forces yesterday shot dead a Greek Cypriot who had crossed into the north of the divided island, Greek and Turkish Cypriot officials said. Reuter reports from Nicosia.

The incident raised to four the number of people killed along the buffer zone since August. They comprise three Greek Cypriots and one Turkish Cypriot.

The killing came hours before the expected arrival of Sir David Hannay, Britain's special representative on the Cyprus problem. He is to make another attempt to break the stalemate in the 22-year old Cyprus dispute.

The Cypriot government called the killing of the 58-year-old man yesterday "blatant cold-blooded murder".

Turkish Cypriot officials said Petros Kakouli, a retired fireman, had crossed 200 metres into the self-proclaimed Turkish Cypriot state and ignored warnings to stop.

The shooting happened near the eastern end of the

buffer zone, close to Achna village and territory controlled by UK military bases.

Cypriot police said Mr Kakouli, a resident of the nearby village of Avgorou in the government-controlled area of the island, was with his son-in-law collecting snails.

"At one point his son-in-law lost him and then saw him standing with his hands up," he said. "Turkish soldiers shot him once and then walked closer to him and finished him off."

The body was removed after about four hours. Cypriot authorities were making representations through the United Nations to recover it. Police said the body would probably be handed over today.

Greek Cypriot President Glafos Clerides said his government might make an appeal to the UN Security Council over the incident, Cyprus radio reported.

A Turkish Cypriot military spokesman said soldiers had called on Mr Kakouli three times to stop.

CONFLICT DEMONSTRATIONS WAR INVASION POLITICAL UNREST INDEPENDENCE

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NEWS: EUROPE

Reconciliation means finding where the bodies lie

Laura Silber reports on the grisly path to peace for Bosnia's warring communities

From the blackness of her room, Alma speaks darkly of her husband and brother, who disappeared with thousands of other Bosnian Muslims in July 1995 when the Serbs overran Srebrenica. She has heard nothing of them since.

Alma knows the worst. But like most relatives of the 15,000 reported missing in Bosnia, she clings to unfounded rumours that thousands of Srebrenica's men are being held prisoner in secret camps and mines in Serbia. The chances are remote. The International Red Cross, responsible for tracing Bosnia's missing, presumes them dead.

Implementation of the Dayton peace agreement hinges on laying to rest Bosnia's dead in order to foster reconciliation among Muslims, Serbs, and Croats.

Believing that burying the dead and erecting memorials, in particular to those whose bodies cannot be found, is crucial to establishing a lasting peace, an international commission met last week in Geneva to push forward the process.

"The Dayton agreement rests on three pillars, creating a climate of military security, economic reconstruction, and the building of political institutions," says German ambassador Michael Steiner, deputy to Mr Carl Bildt, international envoy to Bosnia.

"But this is impossible without reconciliation. You cannot have reconciliation however when hundreds of thousands of people have only one issue: where are the missing?" adds Mr Steiner, an adviser to the commission

chaired by Mr Cyrus Vance, former US secretary of state.

The commission, proposed last June by US President Bill Clinton, hopes to de-politicise an issue in a land where anything is used as a pretext for a new dispute.

Yugoslavia has long been characterised by manipulation of the dead. More than a million Yugoslavs were killed, mostly by other Yugoslavs, during four years of Nazi occupation. After that war reconciliation was enforced with the communist slogan "Brotherhood and Unity". But Yugoslavia's communities - in particular the Serbs - whispered that their dead still lay in unmarked mass graves.

In the run-up to the civil war of recent years, nationalist leaders of all shades found the mass

graves from the second world war fertile ground for whipping up popular fears.

Last November in peace talks at Dayton in the US, these same leaders pledged to co-operate with the Red Cross in efforts to trace missing people.

In fact, there has been a measure of co-operation.

The Muslim, Serb and Croat representatives last month designated four priority sites - two in Republika Srpska, the Bosnian Serb entity, and two in the Muslim-Croat Federation - where exhumation efforts are already under way.

Considerable political, economic and security obstacles however continue to block progress in exhuming and identifying the corpses - and giving them proper burials. The former war-

ring parties insist on reciprocity. "The sides still believe in trading bodies - 40 of your corpses for 40 of mine. They must learn to operate on a different basis," said a western official, "if peace is to take root."

Only those former warring factions can provide the information necessary to trace the missing. Many of them lie on heavily mined battle sites.

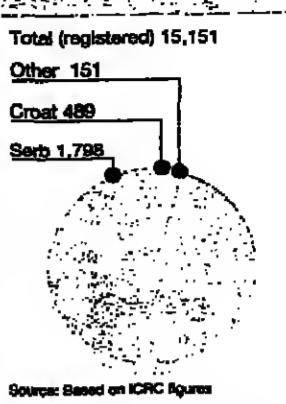
But the commission can exert pressure on the parties to carry out their pledges. It can also help with money - \$5m has been pledged by the US and the EU - for what is an expensive undertaking. The creation of a data bank, including medical and physical histories - is essential for identifying bodies.

With the fighting over for more than a year, international offi-

cial believe the process must move into high gear. So far 400 bodies have been exhumed - and 200 identified. Otherwise, the issue of the missing is likely to dominate the political agenda.

Bosnian Muslims make up the overwhelming majority of the missing. Their leaders so far have shied away from using the missing as a rallying point, perhaps because they do not want to answer for the extent of casualties in Srebrenica, the United Nations so-called safe haven, where thousands of Muslims are feared slaughtered by Serbs.

Mr Stetmar believes the families of the missing could become a political force to be reckoned with. "Totalitarian systems can only control those who have something to lose. These people are desperate and cannot be dis-



Source: Based on ICRC figures

disciplined," he said.

Mr Vance said: "The end of shooting alone does not mean full peace has been achieved. Peace is a psychological as well as a physical state. Only when we have helped the grieving, will we be able to say that full peace has truly arrived."

Airbus hopes to swallow big new market

By Charles Batchelor, Transport Correspondent

Not sure how to get that new yacht out to the Caribbean without having to spend weeks on the high seas? Or how to get the company helicopter close to where it is needed? Try Air Transport International, a new subsidiary of Airbus Industrie, whose fleet of four Airbus Super Transporters routinely swallows this sort of large and delicate freight.

Airbus has seconded 35 staff to target customers seeking to move rockets, satellites, aircraft engines, aircraft simulators, tanks, helicopters, racing cars and yachts.

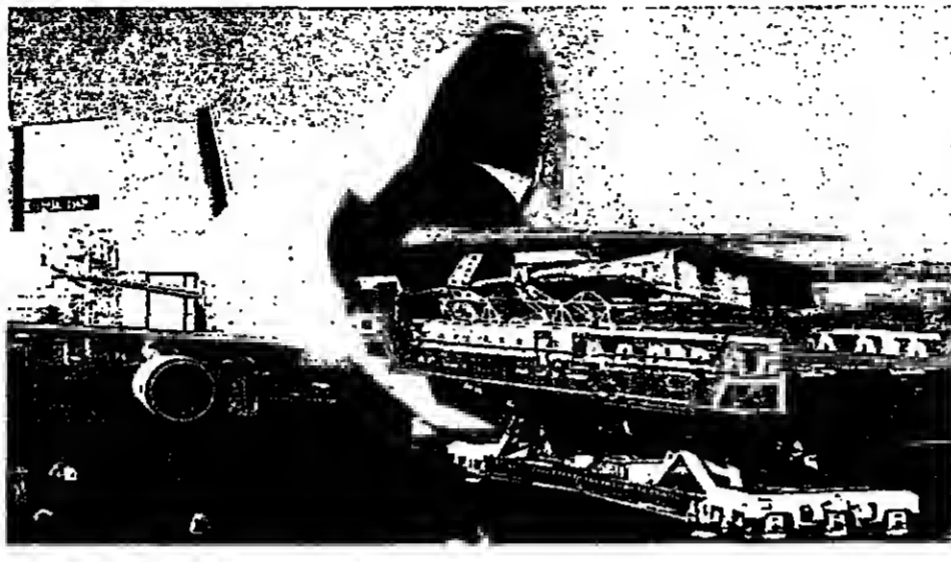
The company believes it could earn up to \$15m a year by using spare capacity when its fleet is not ferrying aircraft components between its own plants. It calculates it will have 900 spare flying hours available each year, nearly equivalent

to one aircraft sitting on the ground.

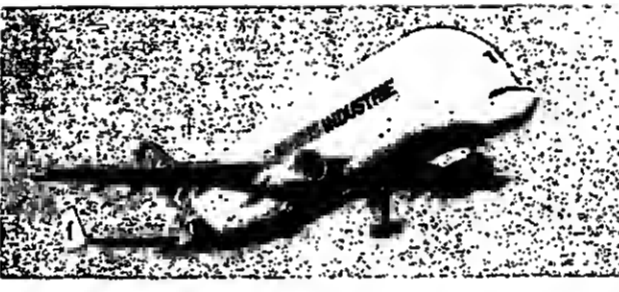
Airbus received 50 unsolicited requests last year from organisations which wanted to use the special transporters, said Mr Louis Germain, vice-president, transport. He said Airbus would not be in competition with any of its airline customers in this market.

"We clearly have considerable expertise of safely transporting highly valuable and difficult pieces of equipment for our own assembly operations," said Mr Arnaud Martin, director of transport operations.

Two of the fleet of Super Transporters are already in operation. The third will be delivered next April and the fourth in June 1998. The new aircraft are replacing the 25-year old Super Guppy. The Super Transporter's large main cargo door and bulbous body means it can carry bigger, more awkwardly shaped items than any other air-



Loading aircraft wings on the Super Transporter (above). Airbus will use the giant carrier to ship components between its European plants and hopes to earn \$15m a year by hiring out its spare capacity. The bizarrely-shaped aircraft (right) can carry delicate, valuable cargoes such as satellites or rockets



craft although its payload of 45.5 tonnes is less than rivals such as the Russian Antonov freighter.

The Super Transporter is based on the Airbus A300-600R which has been con-

verted by Aerospatiale and Deutsche Aerospace Airbus. It has a range of 900 nautical miles.

Boeing last week forecast continued strong growth of the world air freight mar-

ket. It expects total air cargo traffic to increase by an average 6.6 per cent a year for the next 20 years compared with 5.1 per cent a year growth for passenger traffic.

US plans talks on EU grain subsidies

By Deborah Hargreaves

US officials will meet representatives from the European Commission this week to try to sort out a growing row between Washington and Brussels over grain subsidies.

The European Union has faced loud protests from the US, Canada and Australia over its recent decision to revive subsidies granted to grain exporters. For the past year the EU has tried to halt grain exports by imposing a tax on shipments in order to stop EU prices from overheating.

But this year's grain harvest is the second biggest on record and EU farmers are worried that a glut of wheat will depress EU prices.

"The EU's subsidies for exports are undermining world prices and taking revenues away from our farmers. Why can't they let the market work?" one US trade negotiator said.

Mr Dan Glickman, US agriculture secretary, has threatened to "fight fire with

fire" and reopen the US's own export subsidy programme. "We have the money for it and the legislative authority," the negotiator said.

But meetings between officials in Brussels are aimed at defusing the situation before it grows into a full-blown trade row. "We have resolved nothing in meetings so far and this is

granted very small export subsidies and on only 500,000 tonnes of grain. "We have been giving refunds of Ecu4 a tonne and have every right of going much higher than that if we need to," an official said.

The Commission puts complaints from the US down to electioneering in the run-up to the US presidential elections in November. "We have no intention of flooding the world market, but every intention of maintaining an important position in that market," an official said.

The EU does not operate a free market for wheat as the Commission must grant licences for all exports and it traditionally refunds exporters to compensate for world prices which are lower than EU internal prices. The Commission manages the market to ensure prices and supplies are adequate within the EU.

"The EU has a very ample and buoyant internal market for grain. We don't see why they need to export," the US official said.

Brussels puts US complaints down to electioneering

an issue that will not go away," said a US official.

Grain prices have tumbled since hitting a peak of \$7.30 a bushel on the Chicago futures market in April as stocks sank to 20-year lows. Prices are now around \$4.30 a bushel, but are expected to go lower as major producers report bumper harvests around the world.

The EU says it has so far

Rheumatism research unlocks a promising new active substance. Hoechst.

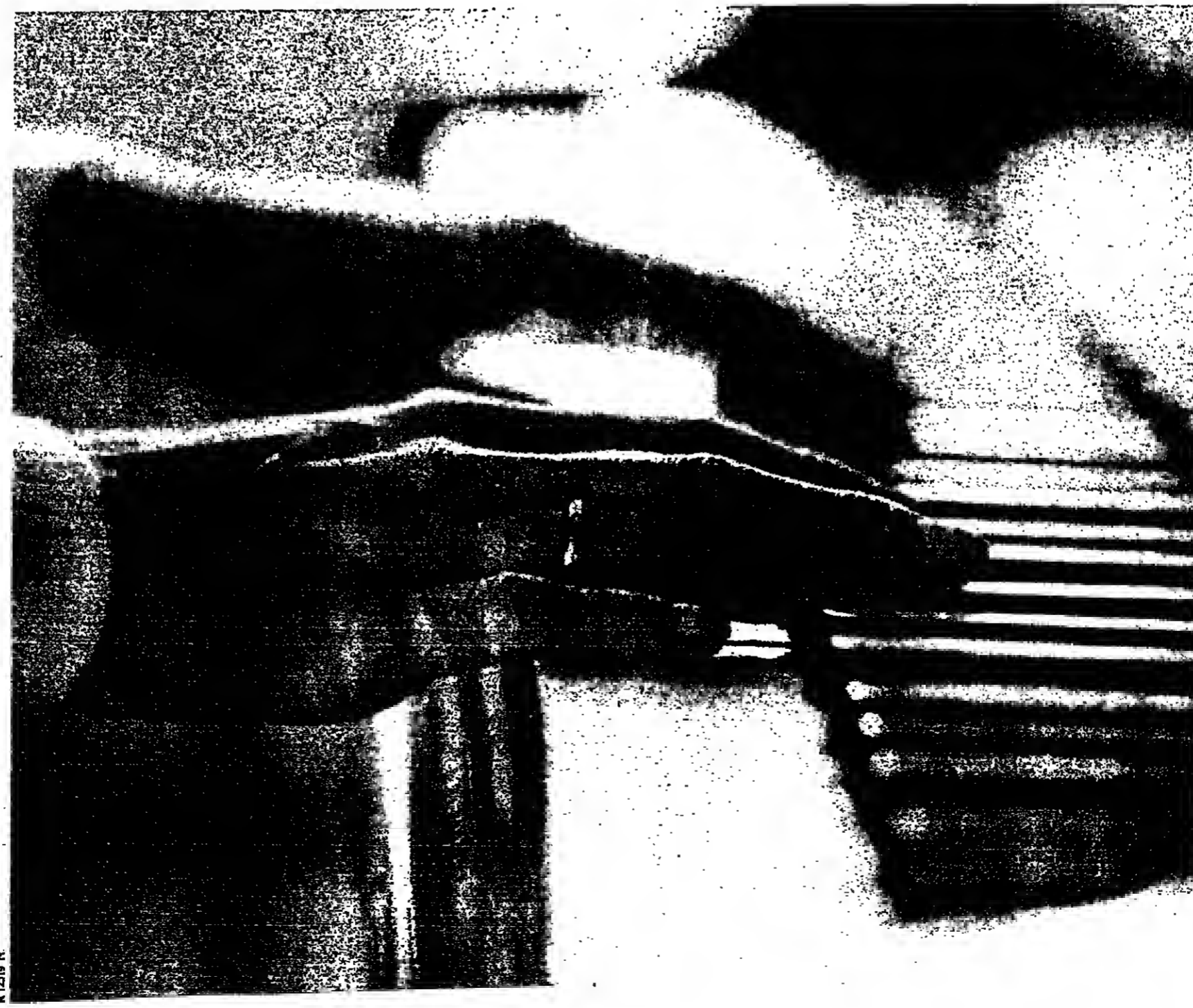
Things are moving. It looks very much like we've made a great step forward in rheumatoid arthritis research.

Our scientists at Hoechst Marion Roussel, the pharmaceutical division of Hoechst, have discovered and are developing a new active substance which is likely to bring a good deal of mobility to sufferers of rheumatoid arthritis.

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S Korea braces for restructuring

OECD membership will promote shift towards market economy, writes John Burton

For most nations, entry into the Organisation for Economic Co-operation and Development amounts to no more than symbolic confirmation of their status as an advanced industrial economy. But for South Korea, its approval on Friday as the OECD's 29th member is much more significant.

Its membership in the club of rich nations is expected to serve as a catalyst for a fundamental restructuring of the Korean economy. Adherence to the OECD's liberal standards will promote a shift from state-guided capitalism to an economy dominated by market forces.

However, the difficulty of accomplishing that transformation was reflected in the contentious negotiating process that involved Korea's OECD application over the past 18 months.

OECD members pressed Korea to accelerate financial liberalisation and economic deregulation as the price for membership. But results fell short of expectations despite several key concessions by Seoul. Korea accepted only 65 per cent of the OECD codes on financial liberalisation against an 89 per cent acceptance rate by the average OECD member.

Although it promised to open the stock market fully to foreign investment by 2000, Seoul failed to set a firm date for opening the bond market and abolishing controls on the borrowing of overseas funds by Korean companies. Seoul argued that rapid financial liberalisation would stoke inflation and destabilise the financial system because of a sudden inflow of speculative foreign funds, attracted by Korea's high interest rates.

Instead, Korea offered to proceed with full financial liberalisation once the gap between Korean and international interest rates fell to 2 percentage points from its

current 6-7 percentage points, and inflation fell to below 3 per cent from its present 4.5 per cent. Korean officials admit these economic preconditions are unlikely to be achieved until after 2000.

In trade, Korea promised to end its import ban on Japanese goods by 1998, while it managed to retain developing country status for agricultural imports, as well as environmental standards, until at least 2000.

Although OECD members expressed disappointment about the lack of immediate progress in Korea meeting OECD criteria, they said there were good political reasons for accepting Seoul.

Korea is the world's 11th largest economy and its per-capita income of \$10,000 already exceeds that of OECD members as Hungary, Mexico and Turkey.

"We are near the bottom when it comes to OECD standards on capital markets, but we are determined to do our best," said Mr Ju Chul-ki, head of the foreign ministry's International Economic Affairs Bureau in Seoul. "If you accept a new bride, you must have confidence in her."

However, there is considerable domestic opposition to some measures as shown by the National Assembly's reluctance to approve membership.

No one knows whether Mr Kim's successor will share his commitment to liberalisation.

NZ parties begin hunt for partners

By Terry Hall and Nikki Tait in Wellington

Preliminary talks between leaders of New Zealand's four main political parties were under way yesterday, after Saturday's election failed to throw up a clear winner but favoured the formation of a centre-left government.

The election was the country's first under a German-style proportional representation system. The conserva-

tive National party, which has been governing for the past six years, won the largest single share of the vote - about 34 per cent - giving it a likely 44 seats in the new 120-seat parliament.

But only two of the smaller rightwing parties - ACT and United - secured additional seats. When their combined tally of nine is added to National's, this does not provide a centre-right majority.

On the other side of the

political spectrum, the centre-left Labour party won about 28 per cent of the vote, entitling it to 37 seats, while the leftwing Alliance gained 10 per cent, or 13 seats.

This gives New Zealand First, headed by Mr Winston Peters, a former National party minister, a key role in deciding the next government. NZF, which advocates a brand of economic nationalism, won 13 per cent of the vote, or 17 seats.

Ideologically, Mr Peters is closer to National - but there is personal animosity between the NZF leader and Mr Jim Bolger, New Zealand's prime minister. A bigger stumbling-block to a NZF-National alliance could be NZF's heavy endorsement from Maori voters, who have traditionally supported Labour. Most of the NZF candidates were former Labour party members.

Ms Helen Clark, Labour's leader, said she had talked

to Mr Jim Anderton, who heads the Alliance, and had tried unsuccessfully to reach Mr Peters.

Mr Anderton indicated that the Alliance would consider supporting Labour on confidence motions, but would want Labour to stick closely to its election commitments.

Meanwhile, economists are predicting that the indicative result will bring short-term volatility to New Zealand's financial markets.

Clark's future lies in others' hands

The smile on Helen Clark's face seemed to stretch forever. By the early hours of Sunday morning, results from New Zealand's first proportional representation election were favouring her Labour party to form a centre-left government.



Helen Clark hoping to break through glass ceiling

"Many people have expressed the hope that I will be able to break through the glass ceiling and be the first woman prime minister of New Zealand," the 46-year-old former politics lecturer told supporters.

"I want to say that the verdict on that is now in other people's hands. But I will be endeavouring to negotiate, to see if I can lead a change of government."

The smile, however, was replaced by steady concentration when a TV network hooked-up Ms Clark with Mr Jim Bolger, leader of the conservative National party and the current premier.

"We both know that under MMP [proportional representation], the bronze medal winner decides who gets the gold and who gets the silver medals. May the best negotiator win," she coolly told her opponent.

To secure government, Labour needs to clinch support from the leftwing Alliance and nationalistic New Zealand First - a task which will tax Ms Clark's renowned level-headedness to the limit.

Labour's landslide defeat in 1990, but even then she was viewed as capable rather than charismatic. Mr David Lange, former Labour prime minister, once spoke of her "icy objectivity" and summed her up as "a dry mind and a wet heart".

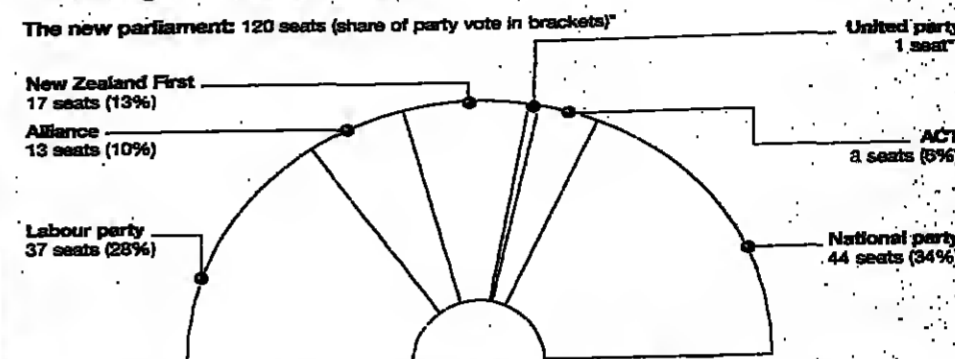
When Mr Mike Moore, her popular predecessor, lost the 1993 election by a whisker, Ms Clark took over the leadership.

In August she faced a challenge from a group of front-bench colleagues. Her response was to stand firm, but to promote Mr Michael Cullen, one of the "coup" leaders, to be her deputy.

On Saturday this strategy paid off. Labour's vote picked up at the eleventh hour, coming in at almost double the 15 per cent level which the party had been polling in May.

Now the task will be to

The bargaining starts here



* Expected seat distribution, which could alter due to outstanding counts of special votes, including those cast abroad.
 ** An electorate seat; party vote was less than 5 per cent

find consensus with both the Alliance and NZF, while still keeping Labour members on side. Mr Jim Anderton, the Alliance leader and a former Labour party president, probably poses the lesser problem as he has already ruled out support for National. The Alliance is also opposed to post-election coalitions, preferring to offer "confidence vote" support.

Mr Winston Peters, the part-Maori lawyer who formed NZF after being dropped from a National party cabinet by Mr Bolger in 1991, is less predictable. Throughout the election campaign he refused to say which way NZF would lean if it held the balance of power.

Already both Ms Clark and Mr Bolger have made overtures. Ms Clark described Mr Peters' election night speech as "very responsible", while

Mr Bolger paid tribute to NZF's progress.

Mr Peters has admitted that Labour's social agenda - which repudiates much of National's "user-pays" approach in the health and education areas - is "closer to that of New Zealand First than National's". Both parties also favour fiscal surpluses and advocate only minor changes to the Reserve Bank Act, which governs New Zealand's inflation policy.

But there are difficulties. Labour, unlike NZF, wants to repeal labour market legislation and encourage collective bargaining. NZF, meanwhile, would like compulsory superannuation, a cap on foreign ownership of strategic assets, and renationalisation of the Forestry Corp timber business.

While Mr Peters has the numbers to play kingmaker,

he must also consider his hedrock support. Much of NZF's vote came from the Maori community, and the party looks to have won at least four (and possibly all five) Maori seats.

No one, however, expects Mr Bolger, a wily 61-year-old farmer whose political career may be on the line if National finds itself out of office, to make Ms Clark's task easy.

On Saturday night he attempted to portray the election result as an endorsement of centre-right government, implicitly lumping NZF's vote with that of National and the pro-business ACT party.

wooing Mr Peters is a possibility, despite the personal animosities. Picking off disenchanted Labour members might be another.

Nikki Tait



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INTERNATIONAL NEWS DIGEST

Kurdish rebels retake Iraq city

Patriotic Union of Kurdistan (PUK) rebels retook the Kurdish stronghold of Sulaimaniya yesterday, only a month after losing it to a rival faction aligned with Iraqi president Saddam Hussein.

A statement by the PUK said its forces entered the city, the region's second largest, at dawn following a "spontaneous uprising" which ejected forces of the Kurdistan Democratic party. The rival group's leader, Mr Massoud Barzani, fled the city and took refuge in Kirkuk, which is controlled by Baghdad, the statement said. Mr Barzani's forces drove the PUK out of Sulaimaniya in September, with the Iraqi army's help. The US retaliated with missile strikes near Baghdad.

AP, Baghdad

Pakistan seeks farm tax

Pakistan's federal government yesterday intensified efforts to win support from the country's four provinces for its plan to tax agriculture, a move it considers necessary to repair troubled relations with the IMF.

Under Pakistan's constitution, only the provinces can tax agricultural incomes. Despite calls by western donors and international financial institutions for such a tax, there has been resistance. This has been spearheaded by Punjab, the country's largest province which provides most agricultural produce.

Farhan Bokhari, Islamabad

Burmese barricades up again

Burmese security forces re-erected barricades around the home of Ms Aung San Suu Kyi, the democracy leader, at the weekend, preventing for the third week her regular public speeches and meetings of the opposition National League for Democracy.

Access to Ms Suu Kyi's home had been barred for about 10 days until Tuesday, when blockades were removed and 579 detained NLD supporters were released. Ms Suu Kyi had hoped the removal of the barricades would allow her to resume normal party work and address the public, as she has done every weekend since her release from house arrest more than a year ago. But Burmese officials said the internal situation could not allow meetings and speeches to go on.

Ted Bardacke, Bangkok

Jakarta accused over riots

Indonesia's human rights watchdog has accused the government and military of provoking the political turmoil which led in July to some of the worst rioting and looting seen in Jakarta in more than a decade.

The National Commission on Human Rights' finding stopped short of contradicting President Suharto and the military, who have blamed the riots on "communist-like" forces.

In a rare call for accountability, the commission's long-awaited report concluded that the riots were "the result of the creation of open conflict in the Indonesian Democratic party (PDI), where the government had involved itself excessively and in a biased way out of proportion to its function as a manager of politics and security."

Indonesian police moved in to evict supporters of Mrs Megawati Sukarnoputri, who was ousted as PDI leader by a government-backed faction of the party, on July 27. The commission said the takeover was "an action carried out violently" by members of the new PDI leadership and the security forces.

Mamuela Saragosa, Jakarta

INTERNATIONAL PRESS REVIEW

Dirty war's skeletons still rattle

SOUTH AFRICA

By Mark Ashurst

The murder trial of General Magnus Malan, South Africa's former defence minister, who guided the apartheid military machine through the most violent days of white rule, was billed as a South African version of America's O.J. Simpson trial.

The most politically charged courtroom drama of the decade, the general was the first of the former ministers to face a murder charge. For many newspapers, his trial was a test of political transition - a final reckoning for members of the old white regime, and those who worked with it, in the new era of black rule.

City Press, a Sunday newspaper read mostly by blacks, declared that the acquittal handed down on Friday "has split South Africa - just as the not guilty verdict in the O.J. Simpson trial in Los Angeles split America".

The Sunday Times, the country's biggest-selling newspaper, predicted that more skeletons would emerge from the past. The reaction would differ along racial lines, it said: "Whites will shuffle embarrassedly and say 'we did not know' or 'so what'. Blacks will say 'we told you so' or 'how could you'."

True to the national style, however, the trial of Magnus



Gen Malan: first of the ex-ministers to face murder charge

Malan has been a staunchly multiracialist. Gen Malan was acquitted jointly with Mr M.Z. Khumalo, deputy secretary-general of the Inkatha Freedom party and a former personal assistant to its leader, Chief Mangosuthu Buthelezi. The fault lines the trial has exposed can be traced not to racial or ethnic solidarities, but to party politics.

Judge Jan Hugo confirmed other judicial inquiries which found that the former Nationalist government gave training, salaries and AK-47

assault rifles to 206 members of Inkatha to assist its campaign against its political opponents. Members of this paramilitary force were responsible for the 1987 massacre of 13 blacks at Kwa-Makutha township, which dominated the trial.

The liberal Weekly Mail and Guardian was alone in pointing out that many of the Inkatha trainees were still active in the security forces. At least 55 have joined the South African police, it reported - "most of them in areas of KwaZulu-

Natal which have suffered or continue to suffer from outbreaks of violence."

There was general agreement among editorial writers that the judge was correct in rejecting much of the prosecution evidence as unreliable. The evidence linking Malan directly to the murders had been "insufficient", said The Sunday Independent.

In the eyes of the Sunday Times, the "most impressive thing to emerge from the Kwamakutha trial" was President Nelson Mandela's swift defence of the judicial process in the aftermath of the verdict. "Such a steady hand in times of high emotion is necessary," it stated in a summary of the verdict under the headline: "Flawed - but the best we've got."

The same ambivalence appeared throughout the English-speaking press. The "total onslaught" era of the 1980s was "the darkest moment in our history when Afrikaner nationalist idealism lurched into naked repression," said the Sunday Times. But it doubted any further prosecutions could secure convictions. The courts would have a hard time deciding between "one set of claims by a bunch of self-confessed rogues (and) the counterclaims of another set of rogues".

Mr Sam Sole, a reporter for the Sunday Independent,

argued that the depravity of that era had been understated. Judge Hugo had heard nothing of "the world of murderers, psychopaths, gangsters and pimps, making it impossible to reconcile the massacre at Kwamakutha with 'the pretty picture of starboard military discipline, doctrine and procedure' painted by Gen Malan's lawyers."

The overwhelming impression, concluded the newspaper's editorial page, was that "a man who was instrumental in waging apartheid's dirty war has got off scot free."

The Citizen, a daily tabloid, took the opposite view. It praised the trial as a model of how a democracy should function in a civilised country, adding just one caveat: "The case should never have been brought before court."

The paper, which began life as a propaganda rag for the National party but now attracts a multiracial readership, expressed special sympathy for the "months of emotional stress and turmoil" endured by Gen Malan.

The Citizen was particularly concerned that the general could be compelled to give evidence to the Truth and Reconciliation Commission, headed by Archbishop Desmond Tutu, which is the task of investigating gross human rights abuses

during the apartheid era. "Unlike the judge in the Malan trial," opined The Citizen, the commission "does not test the evidence before it."

The acquittal may frustrate the Commission, which relies on the promise of indemnity from prosecution to attract former security officials and political activists to confess all. But Archbishop Tutu, who last week issued subpoenas compelling two former police generals to confess all, is not deterred.

He argues that security officials will volunteer evidence in the wake of the conviction for murder of Col Eugene de Kock, commander of the notorious Vlakplaas special forces unit.

"The Citizen's concern for the treatment of members of the former militia may be better understood in the light of evidence heard this week at the trial of Col de Kock."

Known as "Prime Evil" by his colleagues, the colonel has been convicted on an array of 90 charges including multiple counts of murder, attempted murder and conspiracy to murder.

But according to psychologists, he is a "very ordinary" South African. A report in Friday's Business Day newspaper records that the colonel "had a very common psychological profile with an overt aggression level below the country's norm".

Sanctions on Burundi prompt talks move

By Michela Wrong in Arusha

Despite big misgivings on the part of western governments, economic sanctions by east African countries on neighbouring Burundi appear to have achieved a key aim: bringing Major Pierre Buyoya, Burundi's Tutsi leader, to the negotiating table with rebels from the majority Hutu group.

At a regional summit staged in the Tanzanian town of Arusha on Saturday

to evaluate a 10-week embargo applied after the Burundian army's seizure of power, it was revealed that Major Buyoya had agreed to unconditional talks with the National Council for the Defence of Democracy (CNDD) and other Hutu factions.

The offer coincided with a letter to the summit from Mr Leonard Nyangoma, CNDD chairman, offering to enter immediate negotiations on "the restoration of constitutional legality" with Burundi's military junta.

Welcoming these developments, the seven-nation summit set a one-month deadline for the start of talks and agreed to dispatch a ministerial delegation to Bujumbura to oversee progress on negotiations.

But despite pressure from the US and foreign governments who fear that Major Buyoya, regarded as a relative moderate, could be toppled by Tutsi extremists if

his recent gestures of compromise are not rewarded, there was no move to soften sanctions.

Burundi's military regime, which last month agreed to lift a ban on political parties and reinstate parliament, reacted angrily. It accused the African leaders of undermining peace and decried a "secret agenda" - a reference to the minority Tutsi community's growing conviction that Tanzania and other pro-sanctions coun-

tries want to see majority Hutu rule in Burundi.

Major Buyoya's latest move is a sign of how hard the embargo has bit his landlocked country. Although fuel and manufactured goods are being smuggled into Bujumbura from Rwanda and Zaire, prices have soared and the economy is suffering.

Mr Pascal Firmin Ndimira, Burundi's prime minister last week estimated the boycott had cost the economy

\$162m. Exports of coffee and tea, the main foreign exchange earners, have been blocked and civil servants, mainly Tutsis, were recently told they would be asked to make "sacrifices".

But by dropping demands the rebels denounce violence and disarm before negotiations can start, Major Buyoya now risks being accused of treachery and outflanked by Tutsi hardliners opposed to any compromise with the rebels.

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Brazil acts to calm deficit fears

By Jonathan Wheatley in São Paulo

Brazilian plans to cut public spending by \$6.5bn next year were welcomed at the weekend as evidence that ministers are responding to growing concern over the budget deficit, and as a message to Congress that government patience is running out over slow progress on essential constitutional reforms.

Mr Pedro Malan, finance minister, said the package of more than 40 measures unveiled on Friday would cut Brazil's operational deficit (including debt servicing) to 2.5 per cent of domestic product next year from 3.5 per cent this year.

"But this effort will not be effective in the long term unless we manage to approve the constitutional reforms now passing through Congress," he said.

The package includes measures to cut public sector employment through natural wastage, sell state assets, end a series of privileges enjoyed by public employees and increase tax revenues.

The government also said it would ask Congress to extend the fiscal stabilisation fund - introduced two years ago and due to expire next June, until the end of 1999. The fund gives the government control over money

earmarked for specific purposes under the constitution, equivalent to 20 per cent of the national budget.

"The measures may not achieve 100 per cent of their target but they are very positive in showing that the government is concerned about the fiscal situation and is prepared to tackle it in detail," said Mr Bolivar Lamounier, political analyst.

Government reforms have cut monthly inflation from 50 per cent in June 1994 to less than 1 per cent today, but lasting stability depends on bringing public spending under control.

Fiscal, public sector and social security reforms have been on the government's agenda since the beginning of last year. These require the support of two-thirds of congressmen, but so far, congress has been reluctant to oblige.

In what was seen as a sign of its frustration over the slow pace of reform, the government announced in June that it would seek to cut spending by other methods. The measures announced on Friday are understood to have been ready for some months, observers say they were delayed to avoid damaging the prospects of government candidates in municipal elections on October 3.

Case builds for a divided Washington

Patti Waldmeir sets out the argument for maintaining checks and balances in US government



US ELECTIONS November 5

Now, it is as though the two men are running on the same ticket. Mr Scarborough, a member of the much-battered "freshman" class of Republicans elected to Congress two years ago, does not even pretend that he thinks Mr Bob Dole will triumph in his bid for the presidency. He claims he wants Mr Dole to win - but even this lacks conviction.

Effectively if not officially, Candidate Scarborough is campaigning on a ticket headed not by Mr Dole, but by Mr Clinton. For he needs a Democrat in the White House to make his electoral case: that voters must put lots of Republicans in Congress to restrain the liberal instincts of a re-elected President Clinton. Conservatives on Capitol Hill, liberals in Pennsylvania Avenue - Mr Scarborough believes the Founding Fathers wanted it

that way (or vice versa). He thinks checks and balances should be political as well as constitutional: and he is convinced that voters do too.

"Republicans aren't saying it, but that's really the dirty little secret" of this campaign, he says. "Americans like divided government. It's what makes the American system great."

In the 1980s, voters were delighted to put Republican President Ronald Reagan into the White House, while Democrats controlled Capitol Hill. That was a fruitful partnership which, among other things, helped bring an end to the cold war, he says. And the last two years of divided government have been no less productive.

Mr Scarborough believes voters will choose to perpetuate that partnership, and points to opinion polls which show that a surprisingly high number say they will vote on the basis of maintaining a political balance.

Only the November 5 result will prove whether voters are really so sophisticated. In principle, they may wish to preserve a balance. But in practice, even many Republican voters say they are fed up with the Republican Congress, and especially with the volatile freshmen, who promised a revolution but are best remembered for shutting down the federal government in a budget



Clinton in Colorado at the weekend: Republicans want to curb his liberal instincts

showdown late last year which proved a tactical disaster for their party.

Mr Scarborough admits the government shutdown caused a "public opinion meltdown" from which his party is still recovering. This has left Republicans afraid to defend themselves and their record, terrified of the charge that they are mean-spirited and dangerous to the elderly and vulnerable.

"So Newt Gingrich [the House speaker] appears on television draping zoo animals around his neck to

project a warm and cuddly image." Mr Scarborough complains, arguing that this tactic cannot succeed. "They will never love you. It's out the Republican party position to be loved."

"We scare people to death, but we're right!" he says. "We're right on taxes, we're right on the balanced budget, we're right on Medicare," he insists, arguing for drastic, painful and frightening action to tackle the financial crisis of the Medicare public health insurance fund for the elderly.

The congressman concedes that his party is losing the public relations battle over this issue; indeed in his home state of Florida, with its large retired population, frightened senior citizens may tip the state presidential vote to the Democrats for the first time in 20 years. "Sure, the polls show that if you ask people who they want to run the country - Genghis Khan, the Antichrist, or the Republican party - we come in third," he says. "But at the micro level, we are winning. If you ask

them who they want as their congressman, Scarborough or Beck... they choose us".

His own seat certainly appears secure. One recent internal poll showed he had a 74 per cent approval rating in his district in the Florida Panhandle, known as the "Redneck Riviera". Mr Scarborough predicts that 40 or 50 Republican seats other than his own are in play, enough to destroy the party's control of the House.

Many of those are freshmen seats, whose fate could well determine whether the Republican party keeps control of the House. Mr Scarborough thinks it will - for some of the same reasons, ironically, that Mr Clinton will probably be re-elected. "America's in pretty good shape," he says, referring to the strong economy. "And who does that benefit? It benefits those in office." Republican and Democrat.

He insists Republicans can claim as much credit for that as Mr Clinton; by forcing him to restrain government spending, they have helped keep interest rates low and growth strong. "The irony is that we are helping each other in this race," he says. Republicans and Democrats, divided in Washington, united on the campaign trail. Just like the Founding Fathers wanted things to be. And just fine with Joe Scarborough.

'Smart corridor' aims to speed up LA traffic

By Christopher Parkes in Los Angeles

The Santa Monica freeway, the most travelled stretch of road in the US, has linked up with the information superhighway for a two-year test of an integrated traffic guidance system designed to increase driving speeds by 15 per cent.

The \$48m project, which has attracted interest from overstretched traffic controllers across the US and Europe, electronically integrates the resources of seven state and local agencies.

The so-called "smart corridor" comprises a 17-mile stretch of the

east-west freeway, which daily carries about 350,000 vehicles between the central Los Angeles business district and the commercial centres of the city's Westside.

It is designed to optimise the capacity of five other east-west road links which, together with the freeway section, span an area of 65 square miles.

Although the freeway has speed limits of 55mph-65mph, the average speed is closer to 30mph.

A network linking several thousand roadside sensors, cameras, electronic signs and traffic lights flashes instant information on changes in traffic conditions to emergency services, broadcasters,

automatic phone information systems and an Internet web page which is updated every minute.

In the event of an accident, traffic controllers will be able to initiate computer programmes to divert traffic to alternative routes, where the phasing of traffic lights will be automatically adjusted to allow for the increased flow.

Timing mechanisms on meters, installed to regulate the rate at which cars join the Santa Monica freeway from other main arteries, will also be adjusted to allow for the changed conditions.

Highway Patrol and rescue services will be alerted to the location and nature of each incident.

Two roadside radio transmitters will immediately broadcast alerts on dedicated wavelengths. The 90 members of Traffic Information People, an association of mainly airborne trouble-spotters providing information services to local radio and TV stations, will also be connected to the system.

The programmes will automatically display appropriate information for drivers on overhead electronic warning signs.

The corridor is one of several congestion-clearing projects being tested on California roads, which rank among the busiest in the US. Route 110, for example, a north-south highway which crosses the

Santa Monica freeway close to the city centre, has a separate upper level reserved for cars carrying two or more passengers.

Further south, near San Diego, a 10-mile stretch of the Riverside freeway has been equipped with underground electronics to allow developers to test future generations of computerised car control and navigational systems.

The smart corridor trial follows five years of development and software integration work by the California state transport authority, the California Highway Patrol and five local agencies. More than 90 per cent of the cost has been covered by federal and state governments.

UK to take Chile to task on whisky duties

The British government intends to press for an end to what it sees as Chile's discriminatory duties on Scotch whisky when President Eduardo Frei visits the UK this week, Roderick Oram and Stephen Fidler report.

Mr Malcolm Rifkind, foreign secretary, has written to Mr José Miguel Insulza, his Chilean opposite number, to inform him that the issue will be raised. Mr Insulza is one of the ministers accompanying the president on the visit.

Fresh from their recent success when the World Trade Organisation told Japan to stop favouring local products, the distillers will also intensify their lobbying during Mr Frei's visit. Mr Tony Greener, chairman of Guinness, the largest distiller, will meet Mr Frei tomorrow.

Friday, October 18
at 11:00 pm (French time)

New numbering plan in France

How to call numbers in France from another country.

On October 18, 1996 at 11:00 pm French time (9:00 pm UTC), France will switch to a new telephone numbering plan. These changes anticipate for the ever increasing volume of telecommunications traffic in France (new services, fax, mobile phones, etc.). This new plan provides a reserve of numbers for several decades to come and marks a further step towards harmonization with European directives and international recommendations. This New Numbering Plan applies to all numbers you call in France. To call a number in France from another country, simply dial the country code 33, followed by a 9-digit number.

9 digits to call all numbers

To call Paris and the Paris region. There are no changes. You will continue to dial the 9-digit number which begins with 1.
For example: +33 1.....

To call the "provinces" (other regions). Depending on the location, dial 2, 3, 4 or 5 in front of the current number, which remains the same.

The digits to be added are shown on the area code map and in the area code table.
For example: +33 20..... becomes +33 3 20.....

Add:	To the current number beginning with:	Add:	To the current number beginning with:	Add:	To the current number beginning with:
2	20	2	48	4	76
3	21	3	49	4	77
3	22	4	50	4	78
3	23	2	51	4	79
3	24	3	52	3	80
3	25	2	53	3	81
3	26	3	54	3	82
3	27	3	55	3	83
3	28	3	56	3	84
3	29	3	57	3	85
2	30	3	58	3	86
2	31	3	59	3	87
2	32	3	60	3	88
3	33	3	61	3	89
3	34	3	62	3	90
2	35	3	63	4	91
2	36	3	64	4	92
2	37	3	65	4	93
2	38	4	66	4	94
2	39	4	67	4	95
2	40	4	68	4	96
2	41	4	69	4	97
4	42	4	70	2	98
2	43	4	71	2	99
3	44	4	72	2	98
3	45	4	73	2	99
3	46	4	74	2	98
2	47	4	75		

To call mobile numbers and special services. To call a mobile phone, dial 6 before the current 8-digit number.

To call special services (videotex, audiotex), dial 8 before the existing 8-digit numbers, which remain the same.

Add:	To the current number beginning with:	Add:	To the current number beginning with:
6	01	6	07
6	02	6	08
6	03	6	09
6	04	6	10

To call French overseas "départements" and territories (DOM - TOM). There are no changes. You dial the 3-digit access code, followed by the 6-digit subscriber number.
For example: +590..... for a number in Guadeloupe.

Remember...! Don't forget to update your personal directories. If necessary, plan for the updates of all French numbers (including speed dialing) stored in your equipment: telephones, fax machines, modems, etc.

How to phone when you are in France. For all calls within France, dial 0 before the 9-digit number. The domestic long distance access code 16, will no longer be used. To call another country from France, dial 00 (instead of 19).

France Telecom

هكذا من الأهل

Missile maintenance may be contracted out under government finance initiative

Military looks to private sector

By Ross Tremain in London

The UK chief of Defence Procurement has launched a review to identify all military support operations that could be contracted out to the private sector.

The study, initiated by Sir Robert Walmsley, goes beyond the defence ministry's obligations under the government Private Finance Initiative because it embraces existing operations as well as new projects.

Among other ideas Sir Robert said manufacturers of guns and missiles may be invited to make a contracted number of weapons available for use by front-line troops, retaining responsibility for repairs and maintenance.

"At any one time we may have 30 per cent of our weapons in the repair and overhaul loop," he said. "It may be that the manufacturers can do it better." Sir Robert's enthusiasm for contracting out military support services marks a change of

pace within the Ministry of Defence which admits it has been slow to bring forward projects under the initiative - intended to attract private finance to public projects.

Although the Procurement Executive spends almost £5bn (\$9.36bn) a year on new equipment, and a further £2bn on supplies, only 18 projects, totalling £728m, are being prepared under the initiative. Earlier this month, in its biggest PFI deal to date, the ministry chose a consortium made up of Cob-

ham, Bristow Helicopter and Serco to train military helicopter pilots under a 15-year, £400m contract.

Sir Robert urged industrialists at a conference on Friday to produce more innovative schemes to help the ministry achieve a better value for money.

Contracts for private companies to provide and maintain the ministry's on-road transport fleet are being drawn up or have been awarded.

A further 37 possible PFI projects, worth more than £585m, have been identified, these include the provision of roll-off ferries, costing some £50m, for rapid deployment forces. The ministry believes costs might be cut if they were used for commercial services when not needed by the military.

Hydrographic ships for the Royal Navy, tank transporters for the army and air crew training simulators for the Royal Air Force have all been tabled as possible PFI projects.

US interest in Lloyd's agencies surges

By Jim Kelly in London

More than £1.7bn (\$2.7bn) of underwriting capacity at Lloyd's - 17 per cent of the market - is set to come under new management. That follows a flood of proposed acquisitions since the 308-year-old insurance market won UK government approval for its recovery plan 40 days ago.

US and Bermudan insurance groups have joined the surge of interest in Lloyd's managing agencies - the independent companies which have traditionally managed syndicates and appoint underwriters.

As a result it is estimated that around 70 per cent of Lloyd's managing agencies will be aligned to a separate investor compared with just 30 per cent at the end of last year, as big companies seek to bring their capital closer to the market.

While such investors can buy managing agencies, however, they cannot gain such easy access to the underwriting capacity of the syndicates they manage. Here the traditional individual investors - the Names - still hold around 70 per cent of the market capacity.

But controlling managing agencies does put the purchasers in line to pick up capacity over time.

"This is a considerable vote of confidence in Lloyd's, which many people had left for dead a mere few months ago," Lloyd's said.

Capital Re, the US-based reinsurance group with assets of more than \$1bn, has reached preliminary agreement to acquire RGB Underwriting - with capacity of more than £100m.

Mr Richard Cole, chairman of Chartwell Re of the US, said he was in talks with Arber, the Lloyd's agency with £420m capacity, to get "direct access to the Lloyd's marketplace for future growth. Chartwell believes the outlook for Lloyd's is very positive."

UK NEWS DIGEST

Accountancy firm opens rift

KPMG today opened up a split among the so-called Big Six accountancy firms by publishing a privately commissioned poll which showed that the directors of some of Britain's top companies want their auditors to publish full results.

The move will be widely seen by the rest of the Big Six as an attempt to embarrass those firms which have decided not to follow KPMG's lead in publishing full picture reports and accounts. Such an initiative is seen as an attempt to differentiate brand names in a market renowned for uniformity.

As partnerships, the Big Six, other than KPMG, are not required to disclose the kind of financial information expected from public companies - such as directors remuneration, profit figures, and information about assets.

Jim Kelly

INFORMATION TECHNOLOGY

Bank teams up with Microsoft

Barclays Bank is to become the first UK bank to link its computer banking services with Microsoft's Money 97 personal finance software.

Microsoft Money 97, which allows customers to analyse their finances and create budgeting graphics, is to go on sale in the UK in mid-November, packaged with a Barclays logo and with details of Barclays bank accounts.

In the US personal finance software market, Microsoft Money is still running a long way behind Intuit Inc's more established Quicken software. But in Europe the market is still nascent, and neither Microsoft nor Intuit has established a strong position.

George Graham

CABLE INDUSTRY

Nynex plans business network

Nynex CableComms, the UK's second largest cable company, is planning to create a "virtual" chamber of commerce for the region around the northern city of Manchester using fast modems, the Internet and its own cable networks. Details of the plan, believed to be the first of its type in the country, are due to be announced later this week.

A number of leading cable companies, including Telewest, the largest, are experimenting with cable modems that give subscribers access to the Internet at up to 300 times the speed of conventional telephone modems.

Raymond Smoddy

TEXTILES

Retailers 'most optimistic in EU'

The UK is the only country in Europe where the balance of textiles clothing and footwear retailers increased their orders in the first half of the year.

The upturn coincided with a generally improved outlook for British clothing and textiles manufacturers, according to a study published by the OETH, the industry's monitoring body funded by the European Union.

In a survey of 50,000 textiles clothing and footwear businesses, the OETH found that in the first quarter, 12 per cent more UK retailers planned to increase their orders than decrease them. By the second quarter this balance had risen to 80 per cent.

Jerry Luesby

MP's defection renews threat to government

By David Wighton, Political Correspondent

The government's survival was under renewed threat yesterday after one of its MPs defected to the centrist Liberal Democrat party in protest at attempts to suppress inquiries into political "sleaze".

The decision by Mr Peter Thurnham underlined cross-party concern at the government's handling of the latest allegations, which could leave the Conservatives' majority of two seats in the House of Commons vulnerable to a no-confidence vote.

Mr Tony Blair, leader of the Labour party, largest of the opposition parties, yesterday left open the option of calling for a no-confidence vote after parliament returns today.

Labour MPs said the crunch could come if the government resisted calls for a full, public enquiry into the latest allegations. These include the claim that Mr David Willetts, then a Conservative whip, tried to influence a Commons committee investigating allegations against Mr Neil Hamilton, the former trade minister. Mr Thurnham said

More than half of Britain's managers want a change of government, mainly because they oppose the governing Conservative party's policy on Europe, according to a poll published today, Stefan Wagstyl writes.

The survey was carried out by the Institute of Management, the UK's leading managers' organisation.

It shows 56 per cent of executives believe it is time for a change of government. Some 68 per cent believe the government's policies on Europe have weakened the UK's position in the European Union and 72 per cent believe Tory party disagreements over Europe are adversely affecting British business in Europe.

he decided to quit the Conservative party last week following the release of a memo written by Mr Willetts suggesting ways the committee could handle the investigation.

"I cannot, above all, accept the latest attempts by the government to suppress inquiries into allegations of 'sleaze' which poison the very basis of our democracy," Mr Thurnham said.

Doubts raised over local trains on line to France

By Charles Batchelor, Transport Correspondent

Local train services on the £350 (\$4.7bn) Channel tunnel rail link between London and the south-east coast of England are unlikely to be economically viable, Connex South East, the train operator which runs services in the region, has warned.

The local trains will have to share the 110km line with Eurostar trains from Paris and Brussels to London. The Eurostar trains will travel at up to 270kph on the English section of their journey, cutting 30 minutes off journey times.

Connex South East is an offshoot of the French water group, Compagnie Générale des Eaux. It has won the rail franchises for south-east and south-central England.

Expensive special trains will be needed on local services to match the high speeds of the Eurostar trains so as not to disrupt timetables. The trains must also meet stringent fire standards to run through the long tunnel into east London.

In addition, improvements to other commuter services by other commuter services to the newly privatised train operating companies in south-east England will mean that competing conventional routes will be able to offer a better service.

Channel tunnel high-speed link



Connex, which has been awarded a 15-year franchise to run services in the Kent and Sussex regions of southern England, will be given the first option to take over domestic services on the high-speed link when it opens in 2003. If the franchising director is not satisfied with the Connex proposal he can auction the high-speed domestic franchise.

Connex would be allowed to bid, and if unsuccessful it would be paid compensation for any loss of passengers from conventional routes.

Plans for domestic services on the line gave the government a justification for putting £1.4bn of public sector finance into the high-speed link project. Channel tunnel legislation forbade any public-sector contribution to international services.

"We would be compensated for any revenue loss from high-speed domestic services but we wonder how profitable these services would be," said Connex. "It is a fast line which needs expensive new rolling stock to merge with the Eurostar trains."

"We are continuing our studies but there is not a big volume of business from Ashford. There needs to be more economic development in Kent to increase passenger demand."

London & Continental Railways, which has the concession to build the high-speed line and operate Eurostar services, confirmed that domestic trains would have to be capable of high speeds, compatible with its signalling system and able to meet tough fire standards.

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THIS WEEK

Cleanliness next to profit and loss

Personal cleanliness has become big business in Japan, a society where purity has always been close to holiness. That sense of purity has been disturbed twice recently, first by the outbreak of a food poisoning epidemic in western Japan this summer, in which 10,000 became ill and 11 died, and again when the epidemic re-emerged a few weeks ago, this time in the north.

It is no surprise that the panic produced a sharp increase in sales of cleansing products, from bleach and disinfectant to soap, as well as a sharp decline in sales of convenience foods, popularly feared to be one source of infection. Less expected was the way the epidemic focused interest on an extraordinary range of cleanliness products, many unique to Japan, that were selling like hot cakes even before the dread E-coli 0157 showed up in school-box lunches.

Broadly, these products fall into two categories: anti-germ and anti-smell. In most cases the

main customers are female. On the germ-fighting front, Bank of Tokyo-Mitsubishi, the world's largest bank, has developed what it believes may be the world's first "total anti-germ branch", in Tokyo. Surfaces of cash machines, chairs and desks are laminated with a chemically treated anti-bacterial plastic. Women are especially pleased with it, says a bank spokesman.

And the money is clean. Notes are pressed and laundered - only literally, of course - by a process invented by Hitachi, the electronics group, two years ago. Notes are squeezed through rollers at 200°C, which Hitachi claims kills 90 per cent of the most common banknote bug, *Staphylococcus*.

No other bank has yet claimed full germlessness. But laundered money is common. Sanwa Bank was the first to install one of Hitachi's heat rollers in mid-1994,

DATELINE
Tokyo:
fear of bacteria means that hygiene and the literal laundering of bank notes are all the rage in Japan, writes William Dawkins

and more than 20 competitors have followed suit. Curiously, clean money has another, not specifically hygienic, selling point.

It is usual to hand over cash at social occasions such as a wedding or office leaving do. The

notes must go into an elegant envelope designed for the purpose. Crumpled notes are thought rude, except at funerals.

Pens, pencils and paper treated with anti-germ chemicals were also doing well before the food poisoning outbreak. Pentel and Mitsubishi Pencil were the first to introduce them two years ago, originally for use in hospitals. Since then, the market has widened to office use and a large number of imitations have emerged, including germless origami paper for children, from Toyo, an ink-making company, and writing paper from Kanko Kogyo, a specialist paper company. Sanitised musical instruments, similarly treated, have also started to appear in Tokyo shops.

Among smell-busting products, the pioneer was the Renown fashion group's Fresh Life pong-fee

pair of socks launched in 1981, more recently followed by anti-tobacco-smell hair spray from Shiseido and a gizmo for testing bad breath from Figaro Engineering, a gas detector group.

But the really unexpected recent success is a pill made out of green tea extract, introduced two years ago by Dairin, a health food producer, which removes the smell of certain body gases and solids. Like Pentel's bug-free pencils, the market proved far larger than Dairin imagined.

Dairin originally made its pill, Etiquette View, for the elderly and bedridden. But in the first year, 1995, it sold 10 times as many one-month packets as it had budgeted for, 750,000. Rival pills have since emerged, notably a concoction of white mushrooms called Champion, from Central Commerce.

Dairin did not, at least initially,

expect that 40 per cent of its new customers would be young women. But that is not as surprising as it might seem. Others before Dairin have made money from young Japanese women's acute sense of delicacy.

There is, for example, the Sound Princess, launched in 1988 by Toto, the bathroom fitting company, which makes suitable effect on sensitive eouls' bodily functions. Since launch, sales have quadrupled to 4,000 per month at prices between ¥15,900 (€94) and ¥27,500 per unit.

Toto is also enjoying a more recent success, a portable battery-powered bidet, which has sold 130,000 units, more than four times target, in the past year.

Like many marketing suc-

cesses, these are founded on social history, for few countries show such respect for outward and inward cleanliness.

Before entering a Shinto shrine, the devout must wash mouth and hands. Candidates in the current general election campaign keep portable shrines in campaign offices, complete with a small pile of salt, a Shinto symbol of purity. White gloves are worn to show that candidates' hands are clean in every sense. A Liberal Democratic Party campaign worker explained last week.

On a more day-to-day level, rituals include the wearing of surgical gauze masks, not to keep out pollution but to keep it in, so that wearers do not commit the sin of sneezing on others when they have colds. Then there is the politeness of removing shoes before entering someone's home, or the popular habit of taking a hot-spring holiday, solely to take baths. But remember, you wash before you get into the bath, never in it.

The Monday Profile: Peter Wilson, Gallaher

The brands hatcher

Peter Wilson loves to talk about his brands but not his products.

"Brands give authority, identity and character to a product. I pride myself on some of the innovative advertising we've done," he says with passionate volubility.

And the product? "It is an informed adult choice. People have access to the facts. They make up their own minds," he says with taciturnity.

Being chairman and chief executive of one of the UK's most profitable companies can be awkward when it is Gallaher, leader of the UK cigarette market with brands such as Benson & Hedges and Silk Cut.

It is even tougher when you have to give your first press interview, as he did last Friday, aged 55 after 27 years with the company, the last nine running its total tobacco operations.

Wilson was thrust into the limelight by the decision of Gallaher's parent, American Brands, to spin off the company in a London stock market flotation. The company will be worth at least £2bn given its operating profits of £350m on sales of £4.1bn last year.

He is not alone. Gareth Davis endured the same baptism of fire this summer when Hanson, the disintegrating conglomerate, decided to spin off Imperial Tobacco. Within weeks Davis was promoted to chief executive of the second largest company in the UK market with brands such as Embassy. Both parents realised they could improve their shareholders' lot by giving independence to the cigarette makers. But corporate ownership - 21 years for Gallaher and 10 years for Imperial - had kept both men out of the public eye.

While Wilson and Davis need to work on their public relations, they are long respected in their industry for fighting advertising curbs, high excise duties and other issues. They are also appreciated for their quite different personalities.



Says one senior industry figure who has worked with them both: "Gareth is very open and forthright. He will make a rash remark but then laugh about it. Peter is a very thoughtful and sensitive man. But he is very contained and would never make a rash remark. He's a worrier."

Talk brands and marketing, though, and Wilson opens up. "Marketing is in my blood. I hope I've never lost that perspective as I have become a more general manager." After reading law at Oxford university, he worked for four years at Reckitt & Colman and two at Beecham Group, getting his grounding in marketing.

He joined Gallaher in 1969, became managing director of its large Irish subsidiary in 1979, tobacco group marketing director in 1981, and chief executive of the group's tobacco business in 1987 and group chief executive in 1994.

Gallaher's great achievement over the past 20 years, Wilson says, has been to turn Benson & Hedges and Silk Cut into respectively the biggest brand overall and the leading low-tar brand. The starting point was not promising. Benson & Hedges had less than 1 per cent of the market and Silk Cut, in a different format, had minuscule sales.

Some of the most memorable

British advertising of recent decades did the trick, he says. Benson & Hedges' surrealist style and Silk Cut's cut silk theme "were very brave". The campaigns grew out of intense, close work between Gallaher and its agencies. But at the end of the day, the company gave the agency its head. "I don't believe in keeping a dog and doing the barking yourself," Wilson says.

Hamlet, which has 40 per cent of the UK cigar market, is another brand whose advertising is dear to Wilson. The ban on television tobacco advertising "has deprived the British viewer of some of the best entertainment we had", he says.

Wilson plans to keep fighting vigorously for the industry's remaining but constrained ways to communicate with its customers. With the Labour party threatening to ban any form of tobacco advertising if it wins the next election, Wilson "hopes there will still be an opportunity to discuss things with them".

The domestic market, declining at about 2 per cent a year, presents Gallaher with plenty of other challenges. It wants, for example, to regain some 5 percentage points of market share it has lost since 1991 to Imperial, which is now only 1.3 points behind it. Fortunately, the UK remains prodigiously profitable and the source of funding for Gallaher's overseas expansion. Already 27 per cent of its sales are outside the UK, mostly in Ireland, continental Europe and the former Soviet Union.

From his executive duties, Wilson has become well versed in dealing behind closed doors with the likes of politicians. But he seems unlikely to be the public relations heir of Sir Pat Sheehy, who retired last year as chairman of BAT industries.

Sir Pat, puffing through press conferences, revealed each year in reporting BAT's profits from cigarettes and financial services on the UK's Anti-Smoking Day.

Roderick Oram

FT GUIDE TO

Tax theory and practice

I see that a British tax gurn has shared this year's Nobel prize for economics. Is this going to elevate the debate on tax in the run-up to the UK's general election?

Fat chance. Academics have pondered the design of tax systems for years. But most of the interesting findings they have come up with apply only in a narrow range of theoretical scenarios. Some conclusions have proved to be of general relevance, but most of them would be unpalatable to politicians if they were applied in the real world.

That isn't much help.

No, it isn't. So the pre-election debate will no doubt degenerate into the usual wrangling about the extent to which taxes have risen or fallen under the Conservatives.

Typical. So what did our Nobel prize-winner come up with?

His name is Professor Jim Mirrlees, of Cambridge University. In the early 1970s he defined the principles of an optimal tax system, looking especially at income tax rates. His fellow winner was the late William Vickrey of New York's Columbia University. Together they pointed out that individuals take tax rates into account when they decide how hard to work, but that in turn tax authorities cannot tell how productive people are.

What do you mean by an "optimal" tax system? One which raises enough revenue to pay for government spending and redistributes income from rich to poor, while doing as little damage as possible to the efficient allocation of economic resources. Unfortunately, there are trade-offs between these objectives.

What did Mirrlees suggest?

He pointed out that income tax could be egalitarian and efficient without demanding that taxpayers surrender an ever larger proportion of every extra pound they earn as they become better off. In fact, he argued that the marginal tax rate paid by the richest person in the economy on the last pound he earned should be zero. The government would extract no more revenue by imposing a higher tax rate, and there is no point discouraging him from working as hard as he does.

That's outrageous. It's only fair that richer people should face higher tax rates.

As long as people are allowed to earn a certain amount tax-free, a system with a constant - or even falling - marginal rate can still be "progressive" in the sense that the rich pay a bigger share of their income than the poor.

How so?

Imagine a system allowing people to earn £1,000 free of tax and then imposing a single marginal rate of 20 per cent on every extra pound earned.

Someone earning £2,000 would pay £200, or 10 per cent, of their income in tax, while someone earning £4,000 would pay £800, or 15 per cent. The average tax rate climbs steadily towards 20 per cent as income rises. The income tax system will be progressive as long as the marginal tax rate is higher than the average tax rate, and this is true whether the marginal rate is rising or falling.

So why don't real tax systems look like that? Well, they look more like that than they used to. In most countries income tax schedules have been simplified since the late 1970s, with marginal rates reduced for high earners. This change reflects a general desire to limit government intervention, a wish to discourage tax avoidance and a largely misguided belief that lower tax rates would encourage highly paid full-time employees to work harder or longer.

But we don't have zero marginal tax rates at the top.

Indeed not. Politicians are understandably reluctant to see the highest marginal tax rates paid by those voters in the middle of the income distribution on which the outcome of elections depends. Mirrlees's theoretical insight also turned out to apply only to the very highest earner rather than to high earners as a group. So even most tax theorists now accept that a single marginal rate offers the best compromise between fairness, efficiency and administrative simplicity.

We don't have that either.

That's because policymakers have continually tinkered with tax systems in response to political pressures. As John Kay, the well known business economist, puts it, we have built "decorative castles with crumpled turrets and no foundations". But sweeping the existing systems away and starting again would be difficult as the losers would be more annoyed with the government than the winners would be grateful.

Has optimal tax theorising been a waste of time? It has pushed us in the right direction. The specific results may have been disappointing, but we have learned to look harder at issues like efficiency, equity, work incentives and administrative simplicity. The problem with the early theorising was that it assumed that the tax system affected everyone in the same way.

We know better now that different groups - lone parents, married women, single men, the unemployed, the long-term sick and the elderly, for example - respond to the tax system in different ways, especially because taxation rules interact with the benefits system. Thinking about the tax system is just as important now as it was in the heyday of optimal tax theory, only messier.

Robert Chote

Good-bye Battery



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Peter Norman • Economics Notebook

Perils of a transatlantic alliance

Europe and the US should be pragmatic about trading relations

This is an unlikely time to contemplate trade liberalisation across the Atlantic. The European Union and the US have more than their fair share of quarrels, as highlighted by the recent decision of EU foreign ministers to take their complaints over extra-territoriality in the US anti-Cuba Helms-Burton law to the World Trade Organisation. But one of those ministers, Klaus Kinkel of Germany, has a dream. He wants a transatlantic free trade area (Tafta) to inject new life into the flagging relationship between the EU and the US.

Kinkel first called for Tafta in April 1995 in Chicago. He revived the idea in Bonn last June and in Stuttgart last month during a visit by Warren Christopher, the US secretary of state.

The German foreign minister is convinced Europe and the US need "a common economic vision" alongside their long established security relationship. His is a political vision to strengthen historic ties in the post cold war age. Others are not so sure.

As with other trade issues, the US has tried to keep Tafta out of the headlines ahead of next month's presidential election. The acronym has an unfortunate ring in Washington because the North American Free Trade Area (Nafta), which President Clinton pushed through Congress, is no vote winner. Christopher has preferred to speak in less specific terms of economic integration between the US and EU and a "transatlantic market".

Tafta has also been given only a muted welcome in Germany. The chancellor has shown no obvious enthusiasm while the economics ministry, run by Kinkel's Free Democrat colleague Günter Rexrodt, prefers the less ambitious transatlantic "agenda for growth" in which business organisations try to resolve problems step by step.

A study commissioned by the German federation of industry (BDI) warns that "the path to economic success is narrow". The big worry of the BDI-sponsored study, produced by the Institute for Economic Policy at Cologne University, is that Tafta could restrict or divert trade unless it is kept open to third countries that want to join and operates fully in accordance with WTO rules.

Without a liberal multilateral approach, falling trade barriers between North America and the EU could lead to trade diversion, hurting efficient suppliers in third countries.

The study was also concerned that there would be too great a concentration of power if two huge trading blocks such as the EU and US formed an alliance. Lower barriers within the Tafta area could increase political pressure for greater protection against outsiders.

The US and EU could be tempted to pursue a more aggressive trade policy at the cost of third countries. The BDI study warned that the exclusion of other countries from Tafta negotiations could create mistrust. If Tafta damaged other



Warren Christopher (left) is less than enthusiastic about Klaus Kinkel's vision of a Transatlantic Free Trade Area

countries' interests it could provoke retaliation.

The report conjured up the possibility of the south Asian and east Asian states coordinating their interests under Japanese leadership. This raised the spectre of conflict between trade blocks and the reversal of years of effort to involve developing countries in the multilateral trading system.

However, it must be stressed that Kinkel is seeking no such outcome. He sees Tafta as a lever that could open markets worldwide. Given that it is not realistic to expect a further global liberalisation of trade soon, the next best option, he argues, is "open regionalism" with a Tafta that would have no barriers against third countries and be open to all who wanted to join. But moving towards a free trade agreement on these lines would be difficult, given the problems

over EU-North American trade relations and the need to address these in a WTO context.

The Cologne University economists also pointed out that there are old unresolved disputes that have been left on one side, and newer areas of potential dispute such as trade in services, cross-border investment and intellectual property.

The old EU-US disagreements form a lengthy list. There are still some problems relating to tariffs. Subsidies are a contentious area, with the US ultra critical of Europe's Airbus programme. Anti-dumping measures are used as a protectionist instrument by both sides. More must be done to ease technical barriers to trade such as standards and norms while public procurement is an area of contention as shown by the recent tensions between the US and Germany. And e Tafta worth

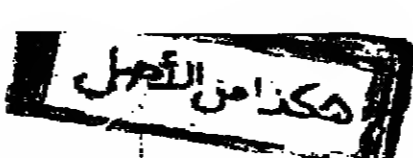
its name would have to address the problems of agricultural protection and trade in textiles.

But it is hard to imagine the EU negotiating on agriculture with the US given the determination of France and Germany, among others, to protect their farmers. It is true that the EU will have to reform the common agricultural policy at some point if it is to expand eastwards to include the former communist countries of eastern and central Europe without bursting the EU budget. But the CAP is on the back burner while member states prepare for economic and monetary union and try to resolve differences over foreign and security policy, policing and EU institutions in the Intergovernmental Conference to revise the Maastricht Treaty.

It is not surprising that the US prefers to concentrate on practical issues such as agreements on open skies and negotiations to liberalise trade in information technology products. "Let not the perfect be the enemy of the good," commented one US official, when asked about Tafta.

And there we might leave the subject, except that Kinkel is nothing if not a political warrior and will surely be promoting his idea again after the US election. But a more pragmatic approach to transatlantic economic relations must make more sense.

Bold political steps tend to have unpleasant economic side effects. That was so with German unity and it may yet be the case with Tafta. To add Tafta to that list would be a leap too far.



MONDAY OCTOBER 14 1996

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MANAGEMENT

It is 10 years since Bombardier, a Quebec-based company best known for making snowmobiles, decided to go into the aircraft business.

Its aspiration to manufacture aircraft is widely shared: companies in Indonesia, China, Japan, Singapore and South Korea are trying to establish themselves in the aerospace sector.

That position was achieved operating from the politically uncertain base of Quebec while also manufacturing successfully amid the sectarian strife of Northern Ireland.

The group's aerospace revenues have increased from C\$285m in 1987 to C\$3.3bn (£1.66bn) last year. Aerospace profits have grown from C\$15.4m in 1987 to C\$150m last year.

Robert Brown, head of Bombardier's aerospace division, says the company has prospered by pursuing a strategy of never competing directly with Boeing and Airbus, the world's two leading aircraft-makers.

Bombardier's rapid growth in aerospace has been achieved by buying some of the proudest names in the industry: Short Brothers of Northern Ireland, Learjet of the US, and Canadair and de Havilland of Canada.

Laurent Beaudoin, the group's chairman, says that in making acquisitions Bombardier has attempted both to acquire new aircraft and to eliminate competitors by absorbing them.

Beaudoin says there are similarities between manufacturing trains and aircraft. "In both, you deal with a lot of components and you have to develop them to high quality standards."

But the real reason Bombardier went into aerospace, he says, was that it had been looking for a new business to enter and the opportunity presented itself



Michael Skapinker charts the rapid take-off of Canadian group Bombardier's aerospace business

Planes, trains, snowmobiles

when the Canadian government decided to privatise Canadair in the mid-1980s.

Bombardier acquired Canadair, which made the Challenger business jet and water bombers, for C\$120m. The Canadian government wrote off Canadair's C\$1bn debt.

Not all of Bombardier's successes, however, can be put down to aid from public purses. It has handled its acquisitions carefully, treating a fine line between recognising their individual histories and integrating them into the group.

Canada. Bombardier put the de Havilland signs back up.

Brown says: "You're dealing with companies that have a strong and very long past." Shorts made aircraft for the Wright brothers.

Roy McNulty, Shorts' chairman, says the change from the inertia and bureaucracy of government ownership to being answerable to a quick-thinking private-sector group was refreshing in itself.

All of Bombardier's acquisitions have had new investment. But a noticeable difference between the group's factories, both in Canada and in Northern

Ireland, and those of other aircraft manufacturers is how crowded the Bombardier facilities are. Every available piece of factory floor is filled with fuselage sections, wings and workers.

Mezzanine platforms have been erected so that one set of employees can work on the top of the aircraft while others work on the bottom.

Another reason is that Bombardier's financial controls encourage managers to use as much factory floor space as they can. Managers in all the aerospace subsidiaries receive bonuses for maximising return on assets.

The group is introducing another area of uniformity - its manufacturing system. John Holding, executive vice-president for engineering, says this is being

done through a programme of internal benchmarking, looking for best practice among the subsidiaries and applying them to the group.

Shorts is highly regarded for its use of composite materials, de Havilland for its work in reducing turbo-prop noise, Learjet for its flight testing and Canadair for its computational fluid dynamics.

The most recent Bombardier aircraft, the Global Express, a long-range business jet unveiled in August, provided the group with a chance to integrate itself further.

The Global Express will face strong competition, however, both from the US-built Gulfstream V and a new business jet being built by Boeing and General Electric of the US.

This could confound Bombardier's determination not to be drawn into direct competition with Boeing and Airbus.

The strategy of acquiring once-illustrious companies also appears to be running out of steam. Bombardier was the frontrunner to acquire Fokker of the Netherlands, which went bankrupt earlier this year.

One Canadian analyst says the lack of possible new acquisitions should not be cause for concern. "They're not only growing as a result of what they've bought, but also as a result of what they have within the company."

One thing that won't stop Bombardier, Beaudoin says, is the political situation in the countries in which it operates.

As a vocal Canadian federalist, he worries about the effect that Quebec separatism has on investment. But Beaudoin says Bombardier has no intention of abandoning its base.

Additional reporting by Bernard Simons



On good form: Jonathan Sparks (left) and Michael Spencer

PARTNERS City Index

Jonathan Sparks, 48, set up City Index, a spread betting company, in 1983. Michael Spencer, 41, chairman of the InterCapital Group, became a partner in 1994.

Jonathan: "I met Spence when he was a punter in the late seventies. I was working for Coral Index and he was one of our cleverer, hotter clients."

Michael: "Sparky's knowledge of horseracing is encyclopaedic. He can tell you which horse won which race 20 or 30 years ago."

Jonathan: "I met Spence when he was a punter in the late seventies. I was working for Coral Index and he was one of our cleverer, hotter clients."

He's the mercurial genius, I'm the pragmatic one who gets the trading orchestrated. We've never had a major upset because our characters are different. While he's quite capable of exploding, I'm the type who likes to back away

from confrontation and put the pieces together when everything is calmer."

from confrontation and put the pieces together when everything is calmer."

He's not a typical loud-mouthed bookmaker. He's very much a gentleman, a nice guy, with a slightly wicked edge. He's actually quite a cautious person, whereas I veer towards being impetuous.

Whereas I'm foolhardy, he's the exact opposite. In all the years I've known him, I've never known him make a price in something and be substantially wrong. One of his great strengths is that he doesn't get sucked into the excitement of the moment, or get carried away.

We haven't always agreed, but then we haven't rowed either. There's a 110 per cent trust between us and a genuine friendship that has lasted 20 years."

I value his advice and would never do something that he thought was a bad idea. He runs the company on a day-to-day level and I keep my involvement to that of friend, adviser, consultant and enthusiastic supporter, which suits us both.

Jonathan: "I met Spence when he was a punter in the late seventies. I was working for Coral Index and he was one of our cleverer, hotter clients."

Additional reporting by Bernard Simons

Alien life on the planet boardroom

Will Luther John Clark, the sacked executive of BET, find another job? Or rides Lord Tebbit to defend him.

This appeared to be the crux of the argument in court last week about whether Clark deserves the £4m he is claiming in compensation for unfair dismissal.

Until last Wednesday the story was as follows: Rentokil takes over BET after bitter fight, sacks Clark who amazes the world with

his ever-growing compensation claims. But just as one felt that Clark must be the greediest (or most vengeful) person on earth, in rides Lord Tebbit to defend him.

Certainly Clark does not have age on his side. However there are still some relative oldies landing chief executive positions. But what stands against Clark more than his age (which in any case puts him at only two years older than his arch-enemy, Sir Clive) is his reputation, which is not quite



Lucy Kellaway

as dazzling as it used to be. If the worst comes to the worst he could always pick up a clutch of consultancies and non-executive positions.

Most bizarre of all was Lord Tebbit's claim to the court that Clark's extensive network of contacts would be of no help whatsoever, because the old-boy net-

work does not exist any more. Either he is on another planet, or I am.

I have just noticed something sad in our staff canteen. The little bottles of red and white wine and the cans of lager have disappeared. I don't think I ever actually bought one of them, and I hardly ever spotted colleagues

buying them either. But that is not the point. It was nice to know they were there. Yet now the Financial Times has decided that it is inappropriate for the company to be encouraging us to drink at lunchtime, so it has called time.

In doing this, the FT is at least five years behind the fashion. In 1990 Imperial Chemical Industries caused a stir by closing its company bar and banning alcohol from its private dining rooms.

And now it's our turn. Of course, I realise that alcohol is dangerous and that too much booze may impair one's ability to work. But being able to buy a quarter-bottle of indifferent wine to eat with your spotted dick does not strike me as undue temptation. And even if one were

to submit to it, I doubt if it would involve a grave risk to efficiency. At least on this issue I find myself in full agreement with Lord Tebbit.

Excuse and the Inland Revenue respond to this criticism? By putting out press releases which first gloat over the positive parts of the adjudicator's report before turning to the less complimentary passages.

I have been reading the adjudicator's annual report on the Inland Revenue, Customs and Excise

and Contributions Agency. Not a particularly exciting read, you might think. But you would be wrong. Inside are claims of incompetence, tactlessness, stupidity, defensiveness, unhelpfulness, carelessness, overbearing behaviour and poor communications in the way in which these departments deal with complaints from customers.

And how do Customs and Excise respond to this criticism? By putting out press releases which first gloat over the positive parts of the adjudicator's report before turning to the less complimentary passages. Rule one when it comes to handling legitimate complaints is to say sorry. If the organisations don't know how to do this, it is hard to see how they are going to teach this trick to their employees.

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Wharton keeps the top slot

There are a few surprises in BusinessWeek's 1996 poll

The University of Pennsylvania's Wharton school has retained the coveted number one slot in this year's BusinessWeek ranking of US business schools. The biennial ranking is the most influential of the US league tables, closely scrutinised by both would-be MBA students and by incumbent faculty and school administrators. The big surprise in the 1996 rankings is the four-place vault by the University of Michigan at Ann Arbor into the number two slot. It scored highest in the innovative curriculum category. The University of Virginia's Darden school leapt seven spots into fifth position, boosted by the overwhelming support of its graduates. The school got the best teaching honours and students praised the co-operative culture. Harvard, which dropped to its lowest slot in the 1994 rankings, moved up just one place to fourth. However, there was an overwhelming endorsement by students of the new dean Kim Clark, auguring well for Harvard in the 1998 poll. Losers this year were Kellogg, down to the number three slot, Stanford, down from four to seven and Chicago down from three to number eight. The main complaint at Chicago was the quality of the placement office. At Stanford students were unhappy with core courses and concerns that professors might compromise teaching for research. Other schools in the top 10 were Columbia at number six, and the Sloan school at MIT at number nine. The BusinessWeek rankings combine the scores of two surveys: one of nearly 5,000 newly-graduated MBAs, the second from corporate recruiters in 227 companies.

- 1. Wharton
2. Michigan
3. Kellogg
4. Harvard
5. Darden



Hong Kong: the colony has introduced legislation to stamp out substandard courses

Oriental quiz

Della Bradshaw investigates the problems for MBA students in south-east Asia

The situation is prevalent throughout the world but particularly acute in south-east Asia, says Elliott. "These are the parts of the world where people have the need to upgrade learning, where they have the money and where the British education system is well respected." So infamous has the situation become in Hong Kong that a law has been passed to ensure that in future overseas schools and universities will have to register with the local academic accreditation body if they want to run courses. Such moves would be welcomed throughout the region, says Stapleton. In the meantime the British Council and the UK's Higher Education Quality Council are trying to tackle the problem. Auditors from the HEQC have recently visited schools in the region and will be publishing a full report in the next month. A fundamental tenet has been that any course validated overseas should be of the same level as in the UK. One move by the British Council has been to set up a distance-learning centre in its Hong Kong educational counselling unit for the use of the better UK universities. Registered schools can use the centre's classrooms, for example, or council staff can help with registration or examinations. For students who are confused by the plethora of courses there are a few basic guidelines they can follow, says Suzanne Alexander, administrative director of the distance-learning MBA at Warwick. First, be wary of franchised operations: there the quality of the franchisee as well as the university has to be scrutinised. Second, question whether the course is offered in the same way as in the home country. Several universities offer a distance-learning course in south-east Asia while they do not offer one at home. Douglall also believes students should check whether the course is accredited by the Association of MBAs (Amba). Even if the full-time course is Amba-accredited, she warns, it does not mean the distance-learning course has passed scrutiny.

Course context

Following the trend in education in the workplace rather than the business school, Ashridge Management College will today announce Ashridge On-Line, a service designed for managers of all levels, to provide tailored resources at the desktop. Paul Turnbull, director of Ashridge On-Line, envisages that companies involved in the scheme would give each manager a budget of between £500 and £1,000 a year to spend on study material. The first element is an assessment of the individual manager using 360-degree feedback in which bosses and junior staff give feedback on the manager's abilities. "The feedback tells you your weaknesses in the context of your job," says Turnbull. Managers will then order books, interactive CDs or videos from their desks. From January managers will be able to e-mail Ashridge staff with queries and in the future desk-top videoconferencing will be available.

DB

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SPORT / ARCHITECTURE

Michael Thompson-Noel · Sport

No demons as Damon coasts sweetly home

In the end, Britain's Damon Hill clinched the world motor racing title yesterday with almost exaggerated poise and ease, coasting to a masterful victory in the Japanese grand prix at Suzuka to become the first son of a former champion to win the title.

Hill did not botch the start. Did not bump a rival. Did not slide off the track. Nor did the sometimes accident-prone 36-year-old and his Williams-Renault car vanish suddenly in a hole in time-space, never to be seen again. Instead, driving almost faultlessly, Hill led from start to finish, winning the race and the drivers' title with thrilling imperturbability.

Hill knew he had won the championship 15 laps from the end of the 52-lap race when his only rival for the title, Williams team-mate Jacques Villeneuve of Canada, crashed out. The right rear wheel of Villeneuve's car worked itself loose, bounced off the car and flew past the Canadian, who was unhurt. Villeneuve was in fifth place at the time - virtually without hope of overtaking Hill in the overall standings.

The most succinct and least sentimental commentary on yesterday's title-

clinching performance came from a London bookmaking firm which, seconds after Hill had taken the chequered flag at Suzuka, quoted the dark-browed Englishman as 5-4 favourite to win this year's BBC TV Sports Personality of the Year award - but a dismal 100-1 to retain his title next year.

Recently, Hill was sacked from the Williams team, reportedly for wanting too much money, in much the same way that the services of former Williams driving ace Nigel Mansell and Alain Prost were dispensed with by team boss Frank Williams. The Williams team have won the world motor racing constructors' championship six times, and the Williams proprietor has no doubt that the most important factor in Formula One racing is the car and its designers, not the driver.

As a result, Hill will be turning out for the new TWR Arrows outfit next season, and is thought unlikely to win the world title again. However, his association with Williams has given him some impressive career statistics, including 21 Formula One wins from 67 starts; a wins-to-starts ratio inferior only to that of five-times champion Juan Manuel Fangio and two-times champion Jim Clark.

Among former British champions, for example, Mansell, who was world champion in 1982, won 31 of 187 races; James Hunt (1976), 10 of 92; Jackie Stewart (1969, 1971 and 1973), 27 of 99; and Graham Hill, Damon's father (1962 and 1968), 14 of 176. Clark, who was world champion in 1963 and 1965, won 25 of 72 races.

Germany's Michael Schumacher finished second in yesterday's race, ensuring that Ferrari took second place in the constructors' championship, two points ahead of Benetton-Renault.

■ It must be tough - even weird - being a 20-year-old in the peer-shaped world of professional golf, as Tiger Woods is discovering. Woods is the best thing to happen to pro golf for many a year, but at 20 he may have at least a decade to go before he feels he fits in.

Woods, a record three-time US Amateur champion, turned pro at the end of August and is already, thanks to commercial tie-ups and endorsements, an extremely rich young swinger.

Fresh from his first professional victory in the Las Vegas Invitational eight days ago, when he beat Davis Love III in a playoff,

Woods was in no doubt how he hoped to perform in the Texas Open, which was finishing yesterday. He said: "Every tournament I go to I try to win flat out. You don't ever want to be a loser. You want to be a winner." The Texas Open was Woods' fifth tournament since turning pro. Each time out, he has moved into a stiffer gear. He finished 60th in the Greater Milwaukee Open, 11th in the Canadian Open, fifth in the Quad City Classic and third in the BC Open before winning in Las Vegas.

After his first five tournaments his winnings stood at \$437,154, placing him 40th on the US PGA money list and thus in sight of the top-30 finish he needs overall to qualify for the prestigious, season-ending US Tour Championship.

"I've been playing awfully well," Woods said last week, "and it makes it a lot easier to be out there when I'm playing real well." The hardest thing to cope with was that no one was his age.

Anyway, Woods should be careful in *The Art of Golf*, published in 1887, Sir Walter Simpson wrote that golf suited all sorts of men: strong or weak, octogenarian or boy, rich or poor, clergyman or infidel.

But the game had its drawbacks. Sir Walter had observed a golfer "very angry" at seeing his ball deflected into a bunker after it had struck and killed a bird. Among over-avid golfers, nature lost her significance. Larks or buzzing bees were hateful; rain was regarded solely in its relation to the greens; daisies were detested; winds ceased to be east, south, west or north but were ahead, behind or sideways; the sky



Thumbs up: Damon Hill after yesterday's Formula One title-clinching victory in Japan

was merely bright or dark, according to the state of the game. In short, too much golf destroyed the mind.

Last week's fiasco in Tallinn, in which Estonia's soccer team failed to turn out for a World Cup qualifier against Scotland because of a row about floodlights, was sad enough. Worse, the poor Estonians would have gained a bonus equal to six

weeks' wages per player - 15,000 Estonian crowns, about £850 - if they had beaten the Scots.

"The players are on a bonus of 15,000 Estonian crowns for each win in the World Cup," explained Estonian FA official Alvar Pohlak, who is also president of one of Estonia's top clubs.

I have won pots of money from the bookies recently, so I think I will row against the flow by supporting Estonia

in all future adventures. Britain's bookmaking firms are still shell-shocked by their losses on jockey Frankie Dettori's unprecedented seven winners at Ascot two weeks ago, so it is hard getting sense out of them.

But as soon as they organise their minds once more and quote fair odds against Estonia winning any of their remaining Group 4 matches - or even showing up - I will spring on them.

Colin Amery · Architecture

Dubrovnik's battle-scarred beauty

Seen from the sea in the low early autumn light of the Adriatic, Dubrovnik is one of the pearls of western civilisation. Everyone compares it to Venice, and they are right, for it is a total architectural experience.

From the sea, the eye is drawn to the curved stone walls of the St John fortress, which links into the stone walls of the city - the same walls that were recently bombarded from the sea in the dreadful conflict with Serbia.

Slowly Dubrovnik and the rest of Croatia are recovering from the war, but the damage was terrible and the international effort to restore and repair the buildings is slow and, sometimes for

political reasons, cautious.

The International Trust for Croatian Monuments, which is showing an exhibition at the Royal Academy in London until November 4, is faced with a stiff task in ensuring that the monuments and great buildings of Croatia are restored. In Dubrovnik, some 70 per cent of the roofs of the old city were destroyed, and they are only gradually being restored.

It is not only buildings but also

collections that are in jeopardy.

The city's great scientific library is still kept in 97 metal cases in a bank vault because there is nowhere to house it. The magnificent books of the Franciscan library, which used to be visited by at least 1,000 scholars a year, are stored in a corner of the monks' refectory, the monastery having received several highly damaging direct hits.

The abbot is tired of people coming to see him, marvelling at

the wall paintings and then disappearing again without helping financially or in a practical way.

In the London exhibition, views by six leading artists paint a roster picture of war-damaged Dubrovnik that is perhaps justified. Norman Ackroyd, Anthony Eyton, Donald Hamilton Fraser, Paul Hogarth, Ken Howard and Brendan Neiland were all sent to paint the city, and they were clearly moved by what they saw.

As Brendan Neiland says: "I

spent my time walking the walls, the streets, narrow passageways and steps - many, many steps - visiting some of the 70 churches, being mesmerised by the sparkling Adriatic and the richness of the sunsets and resting in the tranquility of the two monastery cloisters."

To the south and the north of the city, whole historic villages endured dreadful looting and burning. Cilipl and Slano are far from recovered, and the arbore-

tum near Trstano has returned to nature. There is a great need for specialist restorers of paintings and frescoes, as well as for architects and craftsmen.

Inland from the damaged coastal towns the need is for help towards the reconstruction of churches, many of which date from the 9th century.

In the coastal part of Croatia that was cut off during the war from the rest of the country, the churches were clearly made tar-

gets for destruction. Some 14 important churches need to be rebuilt.

It is important not to forget the cities and monuments of Croatia, which were once much visited by tourists. In fact, it is now safe to return to the Dalmatian coast and gradually the hotel accommodation is being repaired and rebuilt. The European Bank for Reconstruction and Development has made a £20m loan to start work on the hotels of the region.

This was a European war, and these are neighbours who need our help. Modestly, the Croats have underplayed their needs; although their wounds are great, we must help them to the best of our abilities.



Some of your customers will leave you tomorrow. Wouldn't you like to know who they are?

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To do that requires consumer-focused technology solutions - the most important of which are Relationship Management Systems.

These systems enable all the data generated by customer transactions to be collected and analysed.

One benefit of this is that the behaviour patterns of customers who have left can be analysed - and those patterns identified when they develop in existing customers. Those customers can then be targeted with the products and services which they may have been planning to buy elsewhere.

Nobody is better equipped than NCR to supply this technology because it's always been our philosophy to approach projects from the consumer's perspective. In doing so, we've gained a unique and unrivalled understanding of consumer behaviour. So, when consumers are making life harder for banks, we can apply the solutions necessary for banks to make life easier for consumers.

One way in which this expertise will grow is at the NCR Financial Services Knowledge Lab in London. It's a dedicated research facility where, along with our customers and other commercial and academic partners, we will constantly develop new insights into the hearts and minds of financial consumers.

To predict the future with NCR, email us at: banking.solutions@unitedkingdom.ncr.com or visit our web site: <http://ncr.knowledgelab.com> NCR. Banking Solutions in the Age Of The Consumer.

مركز من التجول

Tim Jackson

Information that could make the penny drop



How much would you be willing to pay me to start this column with a really good joke? It may not sound so, but this question is in deadly earnest. CyberCash, a company based in Virginia, has just started marketing a technology that allows information, even a single joke, to be sold cost-effectively over the Internet for as little as \$0.25 (16p) per transaction.

Investors evidently take its business model seriously: last Friday, the company's market capitalisation was touching \$400m (£260m) and Netscape has licensed CyberCoin, the company's new client software, for possible inclusion in next year's edition of its Navigator browser.

The principle is simple enough. When consumers see some information for sale on the Web that they like, they will be able to click on a button marked PAY. The mouse-click will activate a piece of software called the CyberCoin "wallet", which sends the client's encrypted information to the merchant making the sale. This is sent on, still encrypted, to CyberCash, which authenticates the payment to the merchant in the same way as with a credit card. Yet the customer has an account with Cybercash. He or she transfers money into the wallet from an account with a participating bank or credit-card company.

Banks will pay CyberCash a licence fee for the right to offer the wallet as a service under their own brand. Merchants will pay a transaction fee of between \$0.08 and \$0.31. The system has two key selling points: a high level of security, which should make it considerably safer for customers than handing a cheque or credit card to a waiter in a restaurant; and a transaction cost that is low enough for everyone in the chain to make money even on a \$0.25 transaction.

Is there a big market for information sold at such low prices? Most consumers are not used to the idea of paying for information. Even when that is exactly what they are doing - buying a newspaper, for instance - the service (the information) is usually wrapped up in a good (the paper). Strip away the good and customers become touchy about paying for the information.

An example is the anger of many British consumers at the fact that record companies charge more for music CDs than for old vinyl records, even though it costs less than \$1 to print a CD. Yet the music, a piece of intellectual property recorded in high-quality sound, is for sale: the disc is only its physical manifestation. It is people's emotional inability to come to terms with paying for information, which they know has no marginal cost, that causes the problem.

Yet there are already categories of information that consumers are used to buying at low prices. Juke-boxes in restaurants and bars are one example; so are video rentals. The best case is premium-rate phone calls: consumers all over the industrial world are now familiar with the idea of paying a high price per minute to hear information over the phone.

Most companies that sell information today in these micro transactions face an unpleasant choice: either to build their own distribution channel (eg, install juke boxes all over town) or lose a very high proportion of the revenue to an outside company. With premium-rate telephony in Britain, for example, the phone company takes nearly two-thirds of the gross. Online services such

as CompuServe and AOL usually take half or more. So CyberCoin, with transaction costs ranging from 31 per cent down to 3.1 per cent, ought to be a promising alternative to these channels. CyberCash's Web page (www.cybercash.com) lists some 75 merchants selling things using CyberCoin, including patent searches, credit-status checks, racing tips and predictions from a Chinese fortune teller.

Suppose, for instance, you are a newspaper like The New York Times and you offer an electronic version of the full text of your newspaper on a monthly subscription basis. Selling stories one by one for a few pennies each may well bring in a higher revenue per word, but if customers think much harder before each buying decision, the result may be to depress total revenue per customer sharply.

Once the pipes of the Internet become broad enough to deliver megabits of information per second to households, I believe music and video software will be ideal candidates for the CyberCoin treatment.

But information in the traditional sense - things to know, as opposed to things to see or hear? I'm not so sure. The Web is already so crowded with free information sources that it is hard even now for customers to decide which are worth nothing and which are worth paying a coin to read.

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Couch potatoes get their chips

James Buxton on the launch of an interactive television service in Scotland

You are watching a television debate in which a studio audience is taking part. The experts are discussing whether Britain should join a single European currency. The audience is asked to press a button to signal its opinions. At that point you may find it frustrating to learn what other people think while being unable to express your own views.

However, soon it may be possible to become part of a studio (or other) audience without leaving your sofa, simply by pressing buttons on a handset. An interactive television service called OKTV went online across Scotland recently, and could spread to other parts of the UK next spring.

OKTV is available in Scotland's two ITV regions, Scottish Television and Grampian. But the online service is not embarking on serious issues yet: its staple fare is a mixture of quizzes and games.

Interactive television mainly involves extra information being transmitted with normal pictures and sound in the form of text superimposed on the screen. Someone who wants to watch OKTV tunes into a programme on Scottish TV or Grampian but simultaneously selects Teletext, TV's text and graphics system.

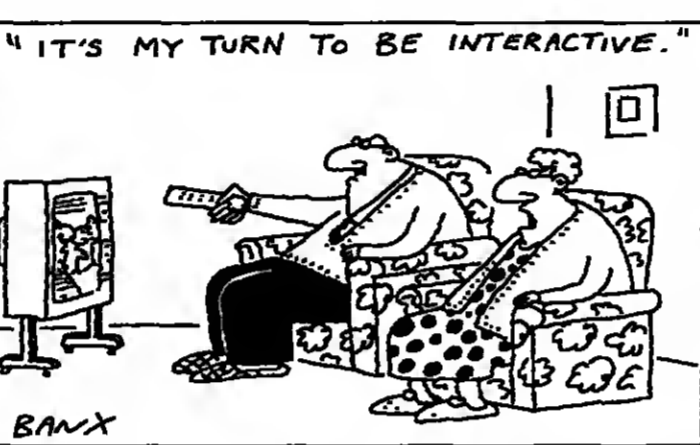
By choosing page 680 on Teletext, a small OKTV logo appears at the top of the picture and a message along the bottom. During each programme, OKTV viewers take part in a quiz with multiple-choice questions, loosely related to the show being viewed.

For example, on last Thursday night's *Schafiel's TV Gold*, in which the actor Phillip Schofield looked back at TV comedy shows, viewers were asked: "Gold is great, but what are a girl's best friend: ruhia, pearls or diamonds?"

To answer, the OKTV subscriber presses buttons on a black, yellow and blue handset. When a programme has finished, the subscriber holds the handset over the mouthpiece of a telephone and it transmits the data to OKTV's computer.

Later, the answers are given on screen and prizes despatched. Each week OKTV offers prizes of up to £1,000 in cash, plus cars, holidays, TVs and so on. The content of OKTV is decidedly banal. But if it takes off, questions could be posed during a programme about a national or local issue, and Scottish TV or Grampian could incorporate viewers' opinion scores in their programmes.

It may come into its own during Britain's forthcoming general



election, according to Donald Emslie, Scottish TV's commercial director. The OKTV computer, which knows where subscribers live and thus what social category they are likely to be in, could collate and interpret the data to form an opinion survey.

OKTV is not free. People register for it by telephone and pay an annual subscription of £19.20, for which they receive the handset and a monthly magazine. In addition, transmitting the quiz scores by telephone incurs a premium rate which works out at about 50p a call, though it takes only about 20 seconds.

The marketing of OKTV began

only a week before it went online early this month. It is advertised in the Daily Record, which is read by more than half Scotland's population. The newspaper's TV listings show which programmes have OKTV games and a code number for the games.

OKTV will cost Scottish TV nothing unless it starts adapting its programmes to incorporate data from OKTV's viewers. As Emslie sees it, the company gains three things. First, OKTV adds "layers of value" to viewing, from quizzes to local programming. Second, interactive television should increase loyalty to Scottish TV's programmes, cutting

down channel hopping. "Game points can be built up during an evening with the prizes announced at 10.30pm to avoid the 10pm switch to Channel 4's American sitcoms," says Emslie.

Third, OKTV offers advertisers the chance of a one-to-one relationship with customers through direct response advertisements and focused market research.

OKTV, a British company, hopes to make its money from the daily call charges which will mount up if it succeeds in issuing 200,000 to 300,000 handsets in Scotland. It has invested £5m in the service which incorporates a smart card containing the subscriber's PIN number and millions of code numbers to cater for all questionnaire possibilities.

OKTV is not the first interactive system in Britain. The cable TV company Videotron has been running an interactive service in south-east London since 1993 and has about 100,000 subscribers. And last year a company named Two Way TV started an experimental interactive television service in the Birmingham area.



- Launched last week by Prestel Online, Citeservice (www.citeservice.co.uk), offers a rundown of corporate, currencies and markets information, up to the minute prices and news headlines. A good all-round one-stop service site, and it is well worth persevering with the heavy Frames-based graphics.
- For a good, quick overview of US venture capital trends, the results of the Price Waterhouse second-quarter national survey are at www.pwc.com/iv with information by sector and geography and a useful commentary.
- Woolwich Property Services recently launched its Property Seeker site (www.wps-property-seeker.co.uk) as a pilot project covering 26 Woolwich branches in London and the south-east. A genuinely useful database of information for house hunters.
- Presentations magazine's online edition (www.presentations.com) should be on your list of bookmarks if your job involves leading seminars, speaking in public or organising business presentations. Well laid-out and full of useful and interesting material covering product developments and tips for speakers. Worth a look.

- Bank Nederlandsee Gemeentebank (www.bnq.nl) is the largest Dutch banker on behalf of the public sector, and the fourth largest bank in the Netherlands. Their dual-language site is a good example of an efficient, no-nonsense corporate effort.
 - Really not much more than a billboard site at the moment, Business Spain (www.business-spain.co.uk) might be worth keeping an eye on if you do business of any kind on the Iberian peninsula. The site previews a monthly hard-copy publication but is a good brief news roundup.
 - Business For Life (www.demon.co.uk/bizforlife) has organised an ongoing virtual conference covering such heavily cerebral issues as the spirituality of work and the relevance of sustainability, to feed in with a real-life conclave in Scotland at the end of this month.
 - The Guardian's new Net magazine *Shift Control* went live at the beginning of the month and is another part of the paper's new-media strategy of developing products complementary to the newspaper. The site (www.shiftcontrol.com) changes each Friday morning.
- stevie.mcgoon@bt.com



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Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
E-mail: roz.mcginness@business-intelligence.co.uk

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UK and EU Competition Law: A Time For Change
CB/Ci/Chief of Change Conference includes speakers from Government, Labour Party and European Commission outlining views on proposed changes in competition policy. Speakers include: John Taylor, Margaret Beckett, John Kay, Jonathan Faull and Graeme Odgers. (Law Society Accreditation CPD: 5 1/2 hours)
Contact: Richard Spencer, CBI Conference
Tel: 0171 379 7400 Fax: 0171 497 3646

NOVEMBER 18
Managing Mobility - Latest Trends in International Employment
This conference is designed for HR professionals responsible for sending people on international assignments. Hot off the press results from ECA's 1996 Managing Mobility survey will update you on:
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Contact: Steven Brown, ECA International
Tel: 0171 351 5000 Fax: 0171 351 9396

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Europe's premier conference and exhibition devoted to data warehousing and related issues. The multi-track conference explores critical, technical, organisational and business success factors, including world-class speakers and case studies from the US, UK and Europe.
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Tel: 0181 543 6565
Fax: 0181 544 9020
E-mail: roz.mcginness@business-intelligence.co.uk

DECEMBER 19
Hours of Work & The Working Time Directive
The Working Time Directive comes into force this November, it will have a major effect on work scheduling and provides for mandatory paid holidays, (some flexibility is provided by many derogations). Led by Olga Alkni LLB, FIPD, this seminar guides you through the Directive and relevant case law so that you understand how it will affect your organisation. Hear too how it works in practice - Barrowland UK have adopted the restrictions on working time since 1993, their HR Director will explain.
Contact: Julie Amber at The Industrial Society
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BUSINESS TRAVEL

Travel News • Roger Bray

Cape confidence

The average price of a hotel room in Cape Town rose more than a quarter last year in US dollar terms. As interest in South Africa picked up following the election of President Nelson Mandela, the city's hoteliers found business easier to come by, filling 10 per cent more rooms than in 1994. A survey by consultants Pannell Kerr Forster Associates found that the amount paid for a room, as opposed to the published rack rate, rose 29 per cent to \$125.99 (\$81 per night). The report on city hotels

in Africa and the Middle East shows this was the third highest average price in the two regions, behind Kuwait (\$199.44 per night) and Tel Aviv (\$149.03).

Some like it hot

High-octane curries will come with warnings when London Heathrow's first Indian restaurant, called Noon, opens next week. BAA, the privatised airports operator, says: "Very hot dishes will probably be offered as specials, but we are mindful of the fact that many passengers from

overseas are not as accustomed as the British to spicy curries."

Split on alliance

Would an alliance between British Airways and American Airlines stifle competition? The men and women who organise business travel appear split. Research by travel management group Rosenbluth International among the delegates at the recent Association of Corporate Travel Executives conference in Madrid revealed that 32 per cent of those questioned felt such deals were anti-competitive, while 22 per cent feared

such alliances reduced consumer choice.

Fares tumble

Freedom of the skies is suddenly having a significant impact in Europe. Low-cost UK airline Debonair plans to introduce an extended web of routes next month. From November 21 it will fly daily scheduled services linking Rome with Munich, Copenhagen and Barcelona. Customers will also be able to fly between Munich and Copenhagen. On the same day the airline is due to start flights between its home base at Luton, north of London, and Rome's

Ciampino airport. Fares will start at £69 one-way.

Big spender

British Telecommunications is one of Britain's biggest spenders on business travel, according to a survey of the FTSE 100 companies by Travel Trade Gazette. With an estimated annual spend of about £30m, it is second only to British Petroleum. Other high spenders include Glaxo Wellcome (£23m) and Unilever (£21m).

Ukraine flights

Ukraine International Airlines plans to start an all-business class service

between Kiev and Donetsk, in the far south-east of the country.

Donetsk, previously known as Yuzovska, is the main centre of the Donbas, or Donets basin, a coal mining and industrial belt.

Paris takes off

Paris attracts more international conferences than any other city, figures from the Union of International Associations show. Last year 332 such meetings took place there compared with 200 in Vienna and 192 in London. New York pipped Washington as the leading US choice.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
London	19	20	18	17	16
Paris	19	20	18	17	16
Frankfurt	17	17	17	17	17
Amsterdam	17	17	17	17	17
L. Angeles	24	24	24	24	24
San Francisco	18	18	18	18	18
Beirut	19	18	18	18	18
Damascus	17	17	17	17	17

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Part-ownership schemes make it cheaper than it sounds – and you can avoid terminals and timetables, says Roger Bray

Beat the rush... buy a jet

Property timeshare may suffer from a tarnished image among those who have been hassled in Tenerife, but jet timeshare is finding favour with senior company executives who need to travel on demand. Their version of timeshare, which frees them from the discomfort of crowded airport terminals and the tyranny of timetables, involves part-ownership of an executive jet. Need to hop between a series of unavoidable meetings in London, Rotterdam and Frankfurt? Travelling by private aircraft, you might just squeeze them all into a single day. The problem is the price. A Cessna Citation S/11 can cost about \$2.6m (£1.6m). Operating it can cost another \$500,000 a year. A timeshare or "fractional ownership programme" is hardly cheap, either, but the cost appears nowhere near as daunting as owning your

own jet outright. You could pay as little as one-eighth of the purchase price, with a monthly management fee of under \$10,000 a month – covering pilots, insurance, training, hangar and administration – and a certain amount per flying hour. Jet timeshare was pioneered by Richard T. Sarulli, former head of the Goldman Sachs Leasing Corporation, who founded Executive Jet Aviation in the late 1980s. It started slowly, but as the US emerged from recession, demand soared. In the past two years the company has ordered aircraft worth \$1.7bn. It already operates a fleet of 85 business jets and has a further 45 on order. Based in Columbus, Ohio, it markets part-ownership under the label NetJet. Its

principal competitor is Business Jet Solutions, a joint venture between Bombardier and AMR, which owns American Airlines. NetJet has started operating on Europe's side of the Atlantic and, even as it gets its programme under way, a British entrepreneur with a roughly similar operation is about to start flying his first customers – in helicopters. Former flying instructor Tony Easton, who also runs a helicopter charter and heavy transport aircraft broking business, points out that spending £30,000 on a one-seventh share in a new, four-passenger Bell JetRanger compares favourably with buying a top-of-the-range saloon car. Extras come to a little more than those for a company BMW. On top of the

ownership price you pay about £2,000 a month for insurance, hangar space, crew, maintenance and management. But Easton's group – First Helix-Net – guarantees a residual value for the machine when your five-year contract ends, and if it needs an expensive replacement part such as a new gearbox, you do not have to pay for it. "We have 11 customers signed up, ranging from blue-chip companies to wealthy private individuals," says Easton. His company is offering a variety of helicopters, including two types of Agusta. Its first operating base will be at Farnborough in Hampshire but it is looking at others near Manchester and in Belfast. NetJet promises to make an aircraft available across

most of Europe within 10 hours for those who buy one eighth – or within six hours to those holding larger shares. The flying hours clock starts ticking six minutes before you take off and stops six minutes after you land. One-eighth of a Citation S/11 costs \$330,000. Operational charges are \$9,750 a month and \$1,950 for each of an average 75 flying hours a year, with both sums adjustable according to the OECD consumer price index on January 1 each year. After two years, the company promises to buy your share back at a fair market price. How does it compare with the cost of buying airline tickets? It is a tricky comparison, but suppose we take the price of a business class

fare between London and Geneva and assume your Citation flies with a full complement of seven passengers every time it takes off. The operational cost alone of 75 hours by timeshare jet would be about £13,400 per executive per year. The price of flying with British Airways, say, would work out at £10,150. NetJet has already sold the use of its first European plane to six sharers and expects to increase its fleet on this side of the Atlantic by five or six jets a year. Kevin Russell, senior vice-president of Executive Jet, readily agrees that the cost of fractional ownership cannot compete with that of airline tickets, particularly when it comes to one of the company's Gulfstream 45Ps, in which even a one-eighth



share costs about \$3.5m. Its advantages lie elsewhere, he says. "If you needed to fly from London to meetings in Brussels and Zurich and get back in a single day it would probably be impossible by commercial airline. With an executive jet you could be back in the UK in time for dinner. And whether you buy timeshare here or in the US you can always have a business aircraft waiting to pick you up when you step off a trans-Atlantic flight."

How to curb the costly paperchase

Another business trip, another round of ordering foreign exchange, collecting receipts and filling in expense forms. This laborious process can take up a lot of time and since time is money, it contributes to the overall cost of business travel, according to American Express. US companies spend an additional 10 per cent of their travel budget on indirect costs, according to its recent survey. The proportion is higher for smaller

companies, accounting on average for 30 per cent, according to the survey of 1,288 US-based private companies. The largest indirect cost is that of completing and processing expense reports. In most European companies, travellers will complete an average of 20 forms a year, usually by hand.

Just under half the US companies said that keeping costs down was the priority. But at the same time, the number of business travellers is rising. One in five employees travelled on business in 1994 compared with more than one in four today, according to the survey. Moreover, direct costs such as

flights and hotels are already under tight control. More than three-quarters of the companies surveyed required employees to take the lowest available airfare and almost two-thirds expected them to stay at hotels where the company negotiated discounted rates. Senior executive privileges are also in decline, with fewer

companies allowing exemption from the policy. The pressure of increasing travel and curbing costs is shifting the emphasis to cutting indirect costs. Vahan Eminian, head of corporate services for Europe at American Express, says: "Companies are right to focus now on indirect costs. Reducing

previously hidden processing costs of business travel represents one of the most important opportunities companies have in the 1990s to deliver substantial savings on operating costs." In Europe, companies spend about 8 per cent of their total travel budget on processing costs. American Express says

this can be brought down to 2 per cent if companies use automated booking and expenses reports and corporate cards. Amex expects business travel spending in the US to increase this year from \$150bn in 1995 to \$156bn. The good news for travellers is that companies appear more willing to allow them to fly business class.

Scheherazade Daneshkhu

CATHAY PACIFIC

CHINA CONNECTIONS

to succeed in... connections... on-stop to our... and connect...

مركز من الأعمال

ARTS GUIDE

BERDAM

BARIS

CHICAGO

ARTS

VIENNA... London... New York... Wexford... Paris...

London... The Royal Ballet... Covent Garden...



The Raphael Gallery at the Victoria and Albert Museum...

New York... The Jasper Johns retrospective opening at the Museum of Modern Art...



WEXFORD... Paris... Picasso and Portraiture was rapturously received...

Opera in San Francisco/Timothy Pfaff All shook up

The San Francisco Opera's current season will undoubtedly be remembered as a period in the idleness. Exiled from War Memorial Opera House...

Earthquake damage has meant that the company is having to make do in the cramped Orpheum or the cavernous Civic...

that of the designer Gerard Howard, commissioned to oversee the refurbishing of the Civic and design Ambrose Thomas's Hamlet...



Matinee-idol melancholy: Thomas Hampson in the title role of Hamlet

'Sex god' fails to impress

Joaquin Cortés's Gypsy Passion is a show which prides itself on doing for flamenco what Riverdance did for Irish step dancing...

At Milan, Luciano Berio's new 'opera' Otis has scored an enormous success - at least in the Italian press...

Berio's operatic odyssey David Murray reviews the first production of 'Otis' at La Scala

around long enough (he turns 71 next week) to become a national figure. An extensive celebration of his music has been going on in Milan for almost two weeks...

Though scenes and situations are suggested in the libretto, how they are to be filled out on stage is left to the producer's imagination...

In each cycle, the live Otis then wanders into a new scene: a bizarre turret, a banking hall which turns into a brothel...

Berio's vocal lines invite real sputum; some of it is intrinsically dramatic, but much more is reflective, warm, gently melancholy...

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COMMENT & ANALYSIS

Michael Prowse • America

Lessons for Blair



Clinton's record suggests the UK Labour party will succeed only if its policies are similar to those of the Tories

At first sight, President Bill Clinton's popularity appears to bode well for Mr Tony Blair, the UK Labour leader.

Clinton's record suggests the UK Labour party will succeed only if its policies are similar to those of the Tories

Mr Clinton had the good fortune to take office soon after the end of a recession. Most of the economic gains that have made people comfortable with a Democratic administration reflect the business cycle.

When he took office, he was overwhelmed by pressures from "old Democrats". He raised taxes sharply on high earners, increasing the top marginal tax rate by a third.

The British political system, of course, cannot provide this kind of salutary shock. The equivalent of what happened in the US would be for Mr John Redwood, the Tory right-winger, to seize control of parliament halfway through Mr Blair's first term and declare war on the welfare state.



Centre-left politics: can Blair (right) emulate Clinton?

Clinton's first two years was a sharp tilt of national opinion to the right and the first Republican majority in the House of Representatives in 40 years.

Mr Clinton reverted to his "new Democrat" rhetoric and began to redefine himself as a moderating influence on "extreme" conservatives such as Mr Newt Gingrich, the House Speaker.

This obviously cannot happen. If Labour wins a comfortable majority, it is thus going to have to be far more disciplined than Mr Clinton was in his first two years. If Mr Clinton is re-elected, it will reflect his inability, by force of circumstances, to move to the left.

It is certainly true that minimum wages in Europe are usually a much higher proportion of average earnings than in the US, where unemployment levels are half the EU average.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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EVA: an important measure in valuing corporate performance

From Mr Joel M. Stern.

Sir, Tony Jackson, in his article "How EVA measures up" (October 7), correctly points out that there are numerous allegations made by consultants regarding different metrics that are supposedly highly correlated with shareholder value.

Our research has concluded that market value added (MVA) is the more appropriate measure of shareholder wealth because it compares resources invested by lenders and shareholders with their current value in the marketplace.

Mr Jackson misses one very important point. EVA is finding favour because, by concentrating on cash and cash generation, it eliminates the accounting distortions so widely publicised by Perry Smith's book on creative accounting.

The difference between the two returns on capital is interest payments, threaten to become embarrassingly negative.

When 'aid' is all too often confused with a loan

From Mr Adrië de Groot.

Sir, Stephanie Flanders probably does not have a mortgage. Otherwise why would she, in her article flagging the World Bank's annual meeting ("Serving up a poor man's feast", September 30), talk about "aid" when she means "loan".

The "overseas aid" she cites are loans, often carrying almost commercial interest rates. Such development loans are important, often providing

capital to those who, alone, would not have access to them. Capital is essential for development. However to call loans "aid" and add them to grants when calculating the "aid" we give is misleading.

Ironically, grant aid is now used to help "clean up" reducing amounts available for other purposes.

interest payments, threaten to become embarrassingly negative.

As a result the (relative) importance of grant aid is seriously underestimated.

Ironically, grant aid is now used to help "clean up" reducing amounts available

History repeats

From Dr Frank Heller.

Sir, You report that the retailer C&A has requested the setting up of a national forum to discuss the exploitation of workers in the textile industry ("Retailer urges clothing industry probe", October 4).

In the early 1930s, various attempts were made to humanise employment conditions in the textile mills. An Act of 1928 forbade employment of children under 10 years of age and factory hours for children were limited to 12 1/2 hours a day.

The similarity of attitude over nearly 200 years is well reflected in the words of Lord Lauderdale, who in the 1800s consistently opposed legislation and government interference in the textile industry with the request that their lordships should not "encroach upon that great principle of political economy, that labour ought to be left free" (Hammond & Hammond, The Town Labourer, Longmans 1925, page 167).

Frank Heller, The Tavistock Institute, 30 Tabernaacle Street, London EC2A 4DE, UK

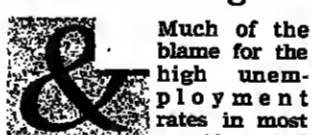
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Personal View • Alan Manning

Pay impact exaggerated

Unemployment in Europe cannot simply be blamed on the level of minimum wages



Much of the blame for the high unemployment rates in most continental European countries has fallen on their labour markets.

So too has the level of minimum wages. However, research by a group of European economists published today suggests that the impact of minimum wages on labour markets is exaggerated.

It is certainly true that minimum wages in Europe are usually a much higher proportion of average earnings than in the US, where unemployment levels are half the EU average.

However, almost all European countries have a lower minimum wage for younger workers, the people likely to be most affected by minimum wages since they earn less than older people.

minimum available for young workers in some circumstances. For teenage workers, minimum wages are higher as a fraction of average earnings in the US (65 per cent in 1992) than in most European countries.

The table also shows that minimum wages are generally no higher in relation to average earnings than in the past. If minimum wages are causing problems for European labour markets it is not because they have been aggressively increased.

It could be argued that the failure of European countries to reduce minimum wages has made their unskilled workers more uncompetitive in increasingly cut-throat global markets.

But most minimum wage workers are not found in sectors which compete with low-wage countries: they are heavily concentrated in retailing, personal services, hotels and catering.

The only manufacturing sectors with a high concentration of minimum wage workers are clothing, leather and furniture. The few companies that remain in these sectors have had to find ways of coping with the fact that wages in Europe are commonly 10 times higher than those in developing countries for reasons quite unconnected with the minimum wage.

If it were true that there was downward pressure on European wages, we would expect to see increasing numbers of workers paid at or near the minimum. There appears to be some evidence of this in France where the proportion of workers affected by the minimum wage rose from 5 per cent in the 1970s to around 8 per cent in the late 1990s.

Table: Minimum wages as % of average earnings. Columns: Country, 1990, 1992, 1994, 1995. Rows: UK, France, Germany, Netherlands.

Source: Economic Policy No. 22

French youth unemployment to levels higher than those in other countries. The youth labour market has deteriorated in all countries in the Organisation for Economic Co-operation and Development. And France has many schemes which allow employers to take on young people at costs lower than the minimum wage.

Because the French minimum wage applies nationally, it should have a much greater impact in low-wage regions than in high-wage regions. But when the minimum wage was raised substantially between the late 1980s and the mid-1990s, employment growth in the low-wage regions was stronger than in high-wage regions.

Such evidence suggests that glib assertions blaming European unemployment on high minimum wages simply do not stand up to scrutiny.

And of course the impact of the minimum wage is likely to depend on the level at which it is set: not even the most ardent supporters of the minimum wage would suggest that one can raise it continually without eventually running into serious problems.

But at current levels, minimum wages are not the difference between the success and failure of nations. Nor can they plausibly be blamed for the rise in unemployment in all segments of European labour markets - including the highly educated who are paid well above the minimum.

The author is research fellow on the human resources programme of the Centre for Economic Policy Research and reader in economics at the London School of Economics. Minimum wages: the European experience appears in Economic Policy No. 22, published by Blackwell.

Handwritten text in Arabic script: دكان من الأهل



COMPANIES & MARKETS

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Monday October 14 1996

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"Make innovation a lifelong habit." KAZUO INAMOTO founder of Kyocera

Smart car forecasts queried by report

By Halg Simonian, Motor Industry Correspondent Sales of the Smart, the evolutionary two-seater car being developed by Mercedes-Benz and SMH, will be less than half the level projected by its German and Swiss backers, according to the first stalled research report on the venture. In a critical study, MarketScope, the equity research arm of the Standard & Poor's business information group, said smart sales would not exceed 90,000 units by the turn of the century. This compares with the 200,000 forecast by Micro Compact Car, the joint venture between Mercedes-Benz, the German automotive group, and SMH, Switzerland's biggest producer of watches, which are developing the vehicle. According to the report, MCC expected the project to break even with sales of between 100,000 and 20,000 Smarts a year. The report bases its pessimistic assumptions partly on information from some of the component companies closely involved in the project. Unlike conventional car factories, suppliers for the smart will build and partly assemble parts for the smart on the production line at the new factory being built for the vehicle in east-north France. "We know that suppliers' production schedules do not line up with those of MCC. Indeed, we believe that supply forecasts are much easier to our own estimates, especially in the early years," said Mr Matthew Widdridge, MarketScope's head of research. The report questioned MCC's pricing for the new vehicle, only 2.5 metres long. Although the estimated retail price of Fr13,000 (\$10,400) should generate strong consumer interest, MarketScope argued the price would have to fall to generate volume sales. Two price scenarios both show low profits from the Smart since expected levels, according to the report. The first option would be a price of about SFr10,000. However, even at MCC's projected 200,000-a-year, that would "nearly wipe out operating profits", it said. Even at SFr11,000, prospects for the Smart appeared much poorer than expected, and the share price of the joint venture companies could be discounted, it said. MCC plans up to four versions of the Smart. Production of the first two, a petrol-driven and a turbo-diesel version, should start in 1997, with sales beginning in early 1998. There are plans for a hybrid engine using electric power and conventional technology.



Size limits: Smart car is only 2.5 metres long

Top directors resign at Hilton

By Christopher Parkes in Los Angeles Three top Hilton Hotels executives, including the group's former president, have resigned amid admissions of "mistakes" over a \$250,000 grant paid during negotiations to open a floating casino in Kansas City, Missouri. The revelations have embarrassed Hilton, a leading force in the consolidation of US gambling, and may sharpen the national debate over the industry's explosive growth as it emerges from its shadowy past into the corporate mainstream. It was unclear at the weekend whether events would hamper Hilton's efforts to gain the approval it still needs from several states' regulators before it can complete its \$3bn acquisition of Bally Entertainment. The merger would make it the world's biggest gambling concern. Mr Stephen Bollebach, president and chief executive of the hotels and gambling concern since February, admitted to errors and announced the resignations to the Missouri Gaming Commission on Friday. "This company and a few of our employees made mistakes. As CEO I want to assure you they will not happen again," he said. "Our management failed to exercise even the most basic due diligence," he admitted. Mr Raymond Avansino, his predecessor, had voluntarily resigned from the group's main board earlier in the week, Mr Bollebach said. Before joining Hilton in 1992, Mr Avansino was a highly-respected regulator of the Nevada gambling industry. Mr Merk Rousseau, a senior vice-president in the gaming division, and Mr Michael O'Brien, who held a similar post, had also volunteered to go, Mr Bollebach said. The three were closely involved in dealings over Hilton's proposed Kansas City riverboat casino, which included the payment of a \$250,000 grant, approved by Mr Avansino, to a company run by an associate of the former chairman of the city port authority. Clearance from the port authority was needed before the approval process could proceed. The gaming commission also discovered Hilton negotiators had earlier offered shares in the casino to a Kansas City businessman with a criminal record. This was in spite of regulations barring convicted criminals from any association with gambling. Following Mr Bollebach's admissions on Friday, the commission, which he recently criticised as "slow and inefficient", granted preliminary approval for Hilton to open its \$100m riverboat. The venture is expected to add \$72m to the group's annual revenues. Mr Marc Grossman, group spokesman, strove to distance his chief executive from the affair. Mr Bollebach had become "very involved since this came to his attention over the summer", he said. "The best of companies make mistakes." Hilton expected to put the issue behind it quickly, he said. Mr Bollebach said the grant approved by Mr Avansino appeared to have been "wasted". The money was originally earmarked for a \$1.25bn fund to be distributed to racial minority businesses in the city after the casino's opening. Hilton will now contribute an extra \$250,000 to make good the loss.

UK group prepares for expected shake-up in European defence industry GEC waits to share spoils of war

Watching and waiting at their Stanhope Gate headquarters in the West End of London, directors of the General Electric Company will soon learn with whom they must negotiate the future of Europe's defence industry. Within the next week or so, possibly in the next few days, the French government will indicate its preferred buyer for Thomson, its defence and consumer electronics group. It must decide between Alcatel Alsthom, the French telecommunications and power group, or its rival suitor, the Lagardere conglomerate. Each plans to offset the problems and losses of Thomson Multimedia, the consumer electronics arm, on an Asian partner (although Alcatel will retain at least a minority stake). Each will then seek European partners for Thomson-CSF, the continent's biggest defence electronics business. In a drive to match the scale economies enjoyed by US rivals, GEC's electronic systems business, GEC-Marconi, is Britain's national champion in the development and manufacture of radar, avionics and combat systems. It is the most natural partner either winner could desire, and its parent is willing. But obstacles to a deal are many. Moreover, any collaboration will be decisive, not just for the future capabilities and competitiveness of Europe in the emerging era of electronic warfare, but for the future of GEC. What role will there be for the movers and shakers of Stanhope Gate if all GEC's key businesses are hived off into international joint ventures? Such questions are foremost in the mind of Mr George Simpson, who assumed the managing director's mantle just a month ago from GEC's visionary creator, Lord Weinstock. The group Lord Weinstock bequeathed has a market capitalisation of about £10.5bn (\$17bn), equal to its annual sales last year, when it achieved operating profits of £833m. Yet of GEC's three biggest businesses, only Marconi truly remains under its control. The power systems business, building power stations, railway equipment and even cruise ships, is already in a 50/50 joint venture with Alcatel Alsthom. This partnership, GEC-Alsthom, accounted for £3.75bn of GEC's revenues and



£177m of operating profits last year. GEC owns 60 per cent of GPT, its telecoms equipment joint venture with Siemens of Germany, which last year contributed £158m of operating profit and revenues of £1.07bn. But while the skills that run the factory so efficiently are those of GEC, it

Marconi is both the crown jewel of GEC and its raison d'être. Yet no-one within the board disputes the logic of merging it with Thomson-CSF - on the right terms

is Siemens, master of the technology, that controls the future of the business. Even GEC-Marconi, generating operating profits of £291m on sales of £3.05bn, is not wholly under GEC's command. Its sonar business has been joint-ventured with Thomson; its satellite business with Matra, the defence

with Alcatel about the planned takeover by GEC-Alsthom of Framatome, France's state-owned nuclear plant builder. But Mr Stopson insists that, contrary to his expectation on arrival, there is no trade-off, written or otherwise, between the nuclear deal under discussion, and the defence deal in the wings. He is adamant that he will not complete the Framatome deal unless it makes commercial and financial sense for GEC. Publicly, GEC is anxious to emphasise its neutrality until the outcome of the battle for Thomson is clear. For the decision about the victor will be taken against a background of intense political interest. Mr Tchuruk has been playing to the domestic gallery, insisting on his determination to control both a majority of shares and the management of any combined entity. Lagardere would prefer a more fragmentary approach, finding partners piecemeal in particular technologies. That would doubtless involve British Aerospace, already a Matra partner in the design and manufacture of missiles, as well as GEC. Either winner will also court German partners, such as Daimler-Benz Aerospace, despite the historic pre-eminence of the British and French defence industries in Europe. It is already clear, however, that the British government is as determined as the French to have an equal, if not a controlling, sway over the key defence technologies held by any merged entity. If agreement cannot be reached, GEC may be encouraged to turn to British Aerospace. But that is a less satisfactory solution, with fewer opportunities for cost-cutting, or reducing competition in an overcrowded market. However, if Alcatel does win through, there is a more elegant answer that might resolve the Stanhope Gate dilemma at a stroke. The £1bn market capitalisation of Thomson-CSF, added to Alcatel's £3bn worth, would match that of GEC almost exactly. A straightforward merger of GEC with Alcatel might offer the best solution all round, providing ample scope for savings, commercial freedom for management, and a role for all. But such things are rarely so simply resolved.

Ross Tieman

Sentiment shift by UK fund managers

By Nicholas Denton in London As the FTSE-100 index broke through 4,000 this month, UK institutional investors appear to have conquered their doubts about the London share market, a survey of their intentions by investment bank Merrill Lynch has shown. The UK fund managers, which dominate the market, have said throughout the year that they intended to reduce their holdings in UK equities. But this month they are evenly divided between buyers and sellers. In the monthly survey in June, fund managers were more bullish about the stock market than at any other time in the 1990s with a balance of nearly 40 per cent of institutions saying they planned to sell shares. In July, US and UK markets did tumble. But, as prices have regained earlier heights, UK institutions have lost much of their pessimism in one of the most rapid turnarounds in sentiment in the last few years. Fund managers such as PPFM - the UBS subsidiary which switched heavily into cash because it forecast a correction in the share market - have come under growing pressure to change their minds and participate fully in the boom. The shift comes despite the growing consensus among institutional investors that rising inflation will prompt an increase in interest rates: 89 per cent of respondents to the survey forecast a rise in base rates in the next 12 months. Institutions' bullishness inwards the UK may owe something to the currency movements which they expect will accompany a rise in interest rates. Asked which was their favourite currency, 31 per cent said sterling, twice the number that said so a month ago. Sentiment towards Wall Street is turning too as the market defies predictions of a crash. Fund managers are less gloomy about the three-month prognosis for US equities than they were, but more pessimistic about the outlook for a year ahead.

INSIDE

- Neste Profits at Neste, the oil and petrochemicals company which is Finland's biggest industrial group, fell sharply in the first eight months of the year. It was hit by oil trading losses at Borealis, the chemicals and polyolefins group it owns jointly with Norway's Statoil. Page 22
Ugland Ugland International (UI), ship-owning and ship management group, is poised to acquire the remaining private family interests of the Norwegian Ugland family in a deal which would give it a large stake in the specialist vehicle carrier market. Page 21
Brands Hatch Brands Hatch Leisure, the UK owner of four motor racing circuits that is coming to market at the end of this month, is forecasting a 59 per cent rise in operating profits this year. Page 20
Fund Management Hermes, the fund management subsidiary of the British Telecom Pension Scheme, the UK's largest occupational pension scheme, has faced a dilemma for some time. Namely, what do you do if you are a large in-house fund manager running mature schemes and you want to spread your wings? Last week, it believed it had found at least part of the answer. Page 20
Global Investor The Dow Jones Industrial Average nudged briefly above 6,000 last week, and its 50 per cent rise in just a year and a half inevitably prompts doubts. But can US stocks really have been so undervalued before? Even some of this year's biggest sceptics, such as Stephen Roach at Morgan Stanley, have resigned themselves to an extension of the current bull run. Page 24

STATISTICS and COMPANIES IN THIS ISSUE tables with various financial data and company names.

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0.875p
Govett Strategic Inv 9 1/2% Db
'17 E4.9375

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CESG Equity Rp3.50
Canadian & Foreign Sec

FRIDAY OCT 19
Allied Lon Prop 5 1/2% Cv Pf
2.975p
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UK COMPANIES

TODAY
COMPANY MEETINGS:
Adcoene, 27, New Dover Road, Canterbury, Kent, 10.30

BOARD MEETINGS:
Finals:
LAWS Group
London & St Lawrence Inv Tst

THURSDAY OCT 17
American Tst 1.9p
Bristol & West Bldg Scty FRN

FRIDAY OCT 19
COMPANY MEETINGS:
Second Alliance Tst, Meadow Street, 64, Reform Street, Dundee, 12.30

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ASIAN TELECOMS
Telecommunications in the 21st Century
28-29 October 1996
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ASIAN TELECOMS presents a concise opportunity to examine the future trends of the telecommunications markets in Asia.

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Many things have been said about us. No doubt we asked for it. We've been doing the same job for 200 years: managing investments. And this longstanding experience has always been our pledge for the future. Can this reasonably be held against us?
GENEVA'S PRIVATE BANKERS
LIBERTY - INDEPENDENCE - RESPONSIBILITY

MARKETS

THIS WEEK

ING BANK
Sou Parceiro em Mercados
Emergentes e de Capitais
ING BARINGS

ING BANK
At Home in Emerging
and Capital Markets
ING BARINGS

Global Investor / Richard Waters in New York

Dow: a case for 7,000 in '97?

It may seem premature. After all, the Dow Jones Industrial Average nudged only briefly above 6,000 last week. And its 50 per cent rise in just a year and a half inevitably prompts doubts. Can US stocks really have been so undervalued before?

that US bond yields would rise this year as a tight labour market brought higher wages and incipient inflation. The Treasury market, however, has learnt to live with an unemployment rate brushing 5 per cent. Long-term bond yields have bounced between 7.25 and 6.75 per cent for six months now - given the volatile history of the Treasury market in the 1990s, that looks like remarkable equanimity.

Of course, the question that needs to be asked is not whether the Fed will act to raise short-term interest rates: it will, if not later this year then almost certainly early next. The question, rather, is: what will happen when the Fed raises rates, in particular to long-term yields? Will it be 1994 all over again?

And what of the valuation case for stocks? Amazingly, after such a rise in share prices, it can still be made - though it is difficult to project a further expansion in the earnings multiple on US stocks from here. Wall Street is expecting earnings of companies in the Standard & Poor's 500 to rise about 8.5 per cent this year - less than half the growth rate of 1995. Yet even with this slowdown, the S&P500 is trading at 17 times 1996 earnings, hardly an outrageous level.

True, the American corporate profits miracle of the 1990s it is not all that meets the eye. As Martin Barnes of Bank Credit Analyst has pointed out, it owes much to a fall in corporate taxes and lower interest bills. As the chart illustrates, strip these factors out and the rise in price/earnings multiples looks more dramatic.

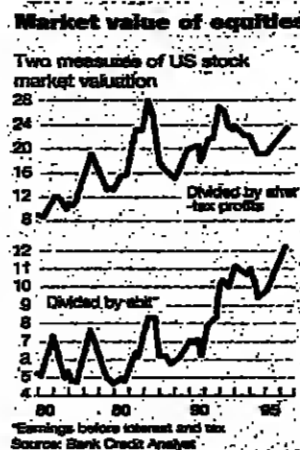


Table with 5 columns: US, Japan, Germany, France, UK. Rows include Cash, Week, Month, Year, Bonds 3-5 year, Bonds 7-10 year, Equities, Week, Month, Year. Shows percentage changes over periods.

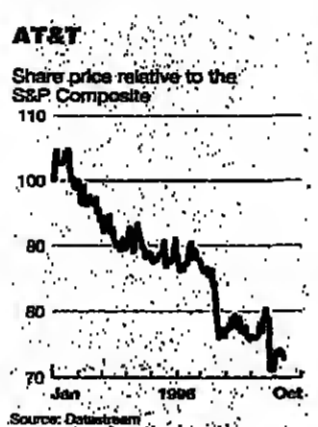
COMPANY RESULTS DUE

Analysts look for 83 cents at AT&T

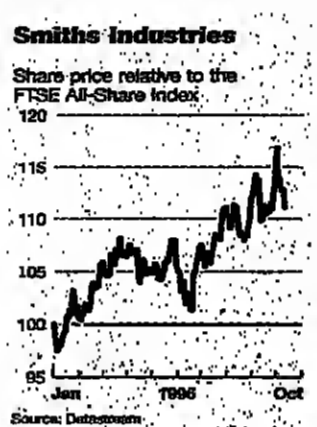
AT&T, the US telecoms group, will on Wednesday report a third-quarter earnings per share of about 83 cents, analysts predict. Last month, Mr Robert Allen, chairman, warned that third-quarter earnings could be as much as 10 per cent below the 92 cents per share for continuing operations previously projected by analysts.

restated results to reflect the changes for the year ago period, it said. Chrysler and Ford are expected to post solid third-quarter gains while General Motors - facing a potential US backlash from Canadian strike action - was expected to grow steadily, analysts said.

Intel: The world's largest semiconductor supplier is expected to reinforce its market dominance with stronger third-quarter earnings per share today. Intel is expected to report earnings per share of \$1.23 for the quarter, compared with \$1.02, according to analysts.



although analysts said revenues continue at buoyant levels. Analysts expect third-quarter earnings per share of \$1.48, compared with \$1.36 a year ago.



Smiths Industries: The UK aerospace and medical equipment maker, is expected to report increased full-year profits of \$172m-£180m (\$281m) on Wednesday.

1996 First Half Results UAP back to profit

Net profit of insurance companies (in FRF millions) 1,774 and 2,029. UAP is back to profit and for the first time in several years, the improvement of our operational results can be reflected in our consolidated net profit. This is the result of the implementation of recovery measures which we announced at the beginning of the year.

Consolidated premium income: FRF 86.4 billion. Consolidated premium income for the first half of 1996 was slightly higher than the provisional figure released in August: FRF 86.4 billion, up 6.6% from the first half of 1995, or +5.0% on a constant consolidation scope and currency basis.

Net consolidated profit of insurance companies: FRF 2,029 million. Net consolidated insurance profit was FRF 2,029 million in the first half of 1996, up 14.4% from FRF 1,774 million in the first half of 1995, despite a strong reduction in realised capital gains.

Table showing Contribution of the main profit centres to net consolidated profit. Columns: Life Insurance, Non-Life Insurance, Insurance Total. Rows: UAP France, UAP Central and Eastern Europe, UAP Great Britain and Ireland, UAP Benelux and Northern Europe, UAP International.

Net consolidated Group profit: FRF 860 million (+6.7%). Banque Worms increased its banking income by 7% (FRF 558 million) over the first half of 1995, while its costs remained stable. Its contribution to consolidated net results was a FRF 26 million loss, vs. -FRF 63 million.

UAP Financial Communications: 9 place Vendôme, 75052 Paris Cedex 01, France - Tel: 33 1 42 86 76 02

INTERNATIONAL EQUITIES By Richard Lapper and Stephen Fidler. Cantv is key to Venezuela's standing

Privatisations in Venezuela have a history of going awry but government ministers visiting London last week to promote the country's credentials among European institutions are insisting that this time things will be different. At the top of their agenda - and of greatest immediate interest to the international new issue market - are plans to sell a 40 per cent stake in Cantv, the telephone utility.

Valuation is one area of sensitivity. Many estimates of the current market value of Cantv are significantly below those given when the first 40 per cent of the company was privatised in November 1991. Then, an operating group led by GTE of the US paid \$1.88bn for a 40 per cent stake, valuing the company at some \$4.7bn. Now valuations for the whole company are likely to be closer to \$3.5bn.

The 1991 valuation would, on most measures, place a slight premium on Cantv compared with other recent privatisations in Latin America, such as Telefonica del Peru. However, some bankers believe Venezuela's less stable macroeconomic environment in recent years, and repeated disputes between the privately-run

utility and the government suggest a lower valuation is appropriate. The problem for the government is that the lower the price the more difficult it will be to justify the sale at home. However, another worry - the likely coincidence in timing between this issue and that of the German behemoth, Deutsche Telekom - looks overblown. Many analysts believe the differences between Cantv and the German telephony company are such that the latter will not have much impact on demand for Cantv shares.

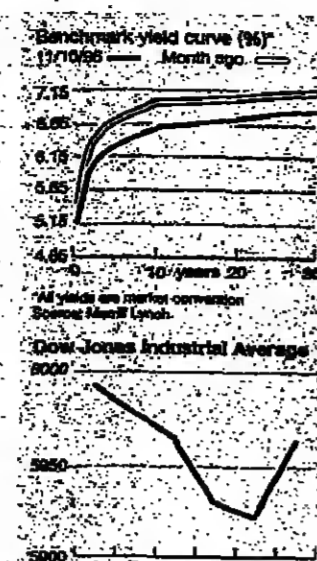
Table of FT/S&P ACTUARIES WORLD INDICES. Columns: Country, US Dollar, %chg, Friday October 11 1996, Local % Gross, Thursday October 10 1996, Local % Net. Rows: Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, New Zealand, Norway, Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex UK, Pacific Ex Japan, World Ex US, World Ex UK, World Index.

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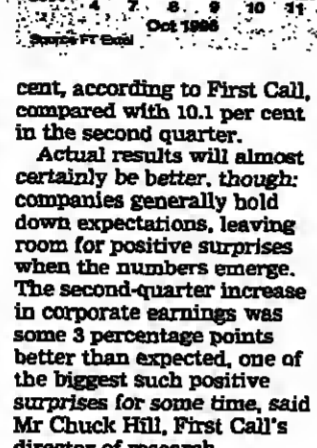
MARKETS: This Week

NEW YORK By Edward Waters

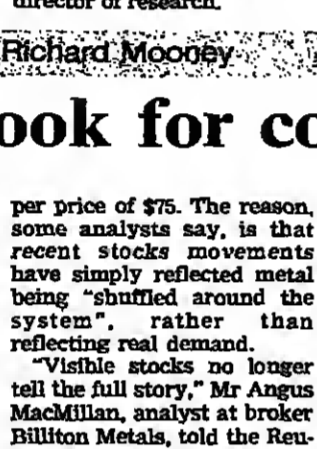
The US financial markets will get off to a slow start this week with today's Columbus Day holiday (the bond markets will be closed, while the stock market remains open.)



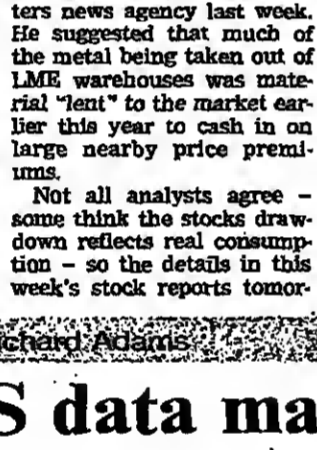
The event of the week: Wednesday's release of consumer prices for September. Wall Street is expecting a monthly rise of 0.2-0.4 per cent, compared with an August increase of 0.1 per cent.



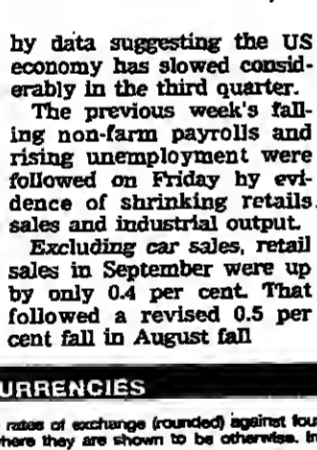
Other releases, however, are expected to confirm the slowing pace of industrial expansion during the second half of the year.



At the London Metal Exchange this week, traders and analysts will be anxious to get a better idea of just what is happening to copper stocks.



With the LME stocks total down 70,000 tonnes, or 26 per cent, in about six weeks, the market might have been expected to be fairly buoyant.



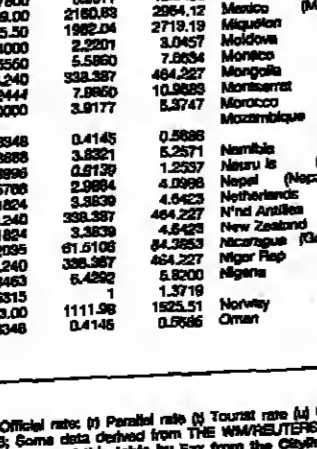
Not all analysts agree - some think the stocks draw-down reflects real consumption - so the details in this week's stock reports tomorrow and Friday will be studied closely, along with any other data that can give clues to the real market situation.



Events this week include the five-day annual assembly of the 12-nation Cocoa Producers' Alliance, which begins today in Libreville, Gabon.

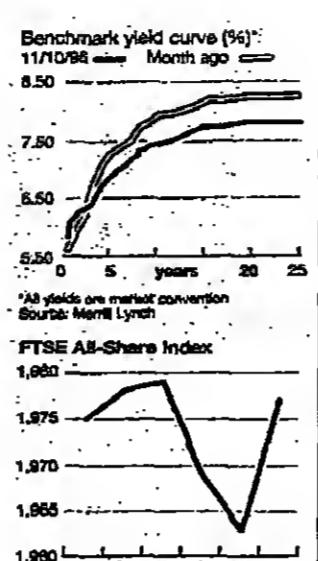


Tomorrow sees the opening of a two-day international Gold Marketing Conference in Istanbul.

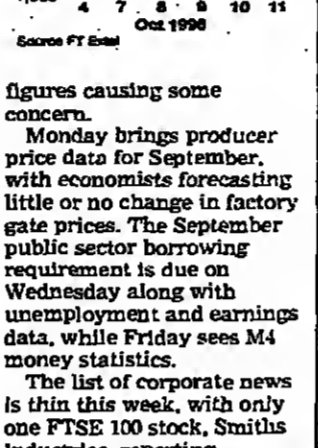


LONDON By Steve Thompson

There is plenty of economic data due this week to keep the markets bubbling. However, although UK equities will not want to absorb any more bombshells like last week's abolition of tax credits on share buy-backs and special dividends linked to bids.



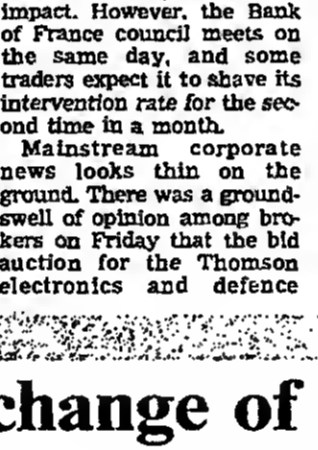
That would cause some heart-stopping moments to bulls of stocks like Reuters, Barclays Bank, Natwest and many of the utilities, but did no real damage to the FTSE 100 - which ended the day's session at a closing high.



But there are clear signs that London is reluctant to make any significant progress much beyond the 4,000 level for the Footsie, which it reached its intraday high - 4,046.8 - last Monday on the crest of a buying wave created by the surprisingly weak US non-farm payroll report for September.



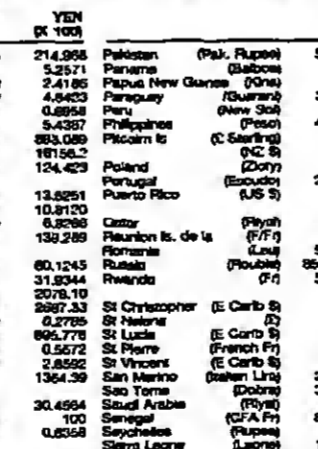
Monday brings producer price data for September, with economists forecasting little or no change in factory gate prices. The September public sector borrowing requirement is due on Wednesday along with unemployment and earnings data, while Friday sees M4 money statistics.



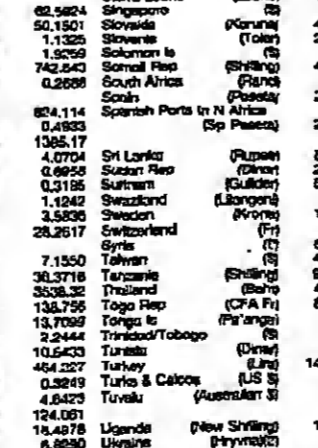
The list of corporate news is thin this week, with only one FTSE 100 stock, Smiths Industries, reporting.



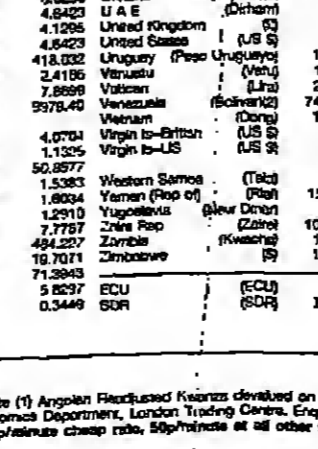
Paris closed on Friday within 14 points of its year's peak ahead of a week which threatens a public sector strike but may provide a further trim in interest rates.



This week's corporate results flow is modest, and with little economic data due Thursday's strike by the public sector unions looks like achieving maximum impact.

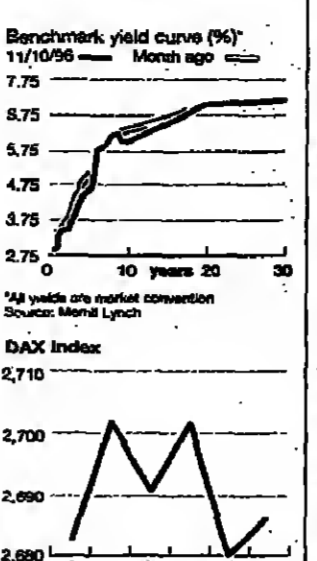


Investors will also be keeping a watchful eye on Fiat, which touched a low for the week on Friday after negative Italian car market data which showed September to be the industry's worst month for 12 years.



FRANKFURT By Andrew Fisher

As each item of US economic data comes along, German markets develop a fit of nerves or breathe a sigh of relief. Friday's producer prices produced the latter reaction, as they indicated inflation remained under control, and hunds hit a high of 99.85 during the day.



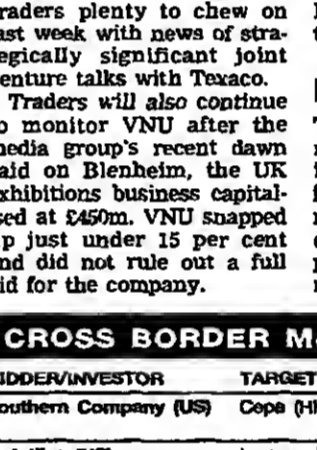
But further US data could have a negative effect. Landesbank Rheinland-Pfalz pointed to the possibility of renewed US interest rates rises, although the Fed held off at its last meeting.



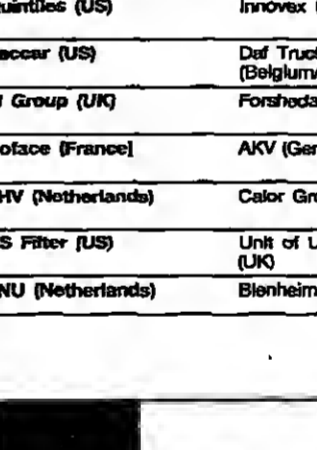
Germany's inflation retreat was shown by preliminary figures for September, with west German retail prices up 1.4 per cent on the year, but down 0.1 per cent on August.



This week sees wholesale price data for Germany around mid-week, with M3 for September - expected to ease from August's



group could shortly be decided. Bid rivals Alcatel Alstom and Lagardere both rose noticeably last week.



On the results front, Generale des Eaux holds an analysts meeting tomorrow and the following day takes in an interim statement from the Suez group.



Olivetti is unlikely to escape the spotlight this week as its management continues with plans to sell off the ailing personal computer division.

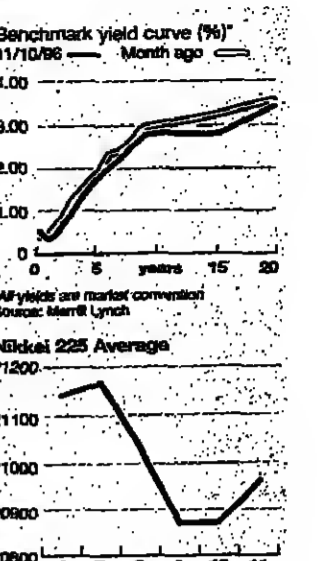


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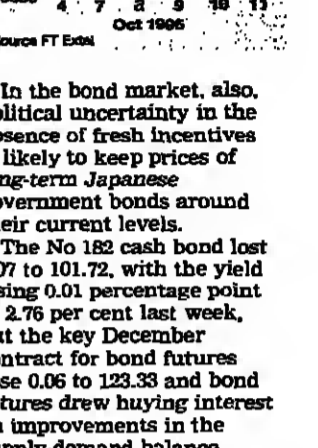


TOKYO By Gwen Robinson

Markets are likely to stay quiet until the October 20 general election for parliament's lower house. Investors will switch their focus to the make-up of the new government to emerge next Sunday, and avoid taking risks until they confirm the outcome of the election, analysts said.



Although there are few ideological differences between the leading political parties, the prospect of another coalition has raised questions about the economic stimulus measures that will emerge from a new political framework.



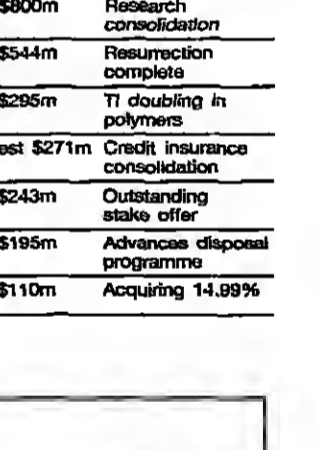
Deregulation is another central issue, with most parties promising to remove bureaucratic obstacles in a number of sectors. There are strong expectations in the stock market that real estate and telecommunications stocks will be among the leading beneficiaries in the post-election period.



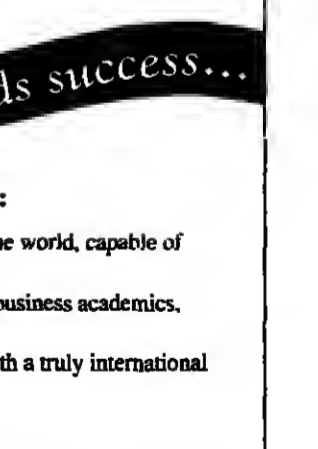
In the share market, the key Nikkei 225 average is expected to hover around the 21,000 level, and trading volume, which last week dipped to the year's low of 196m shares, is likely to remain thin. However, there may be some movement mid-week, as companies begin reporting their earnings for the fiscal 1996 first-half to September 30.



In the bond market, also, political uncertainty in the absence of fresh incentives is likely to keep prices of long-term Japanese government bonds around their current levels.



The No 182 cash bond lost 0.07 to 101.72, with the yield rising 0.01 percentage point to 2.76 per cent last week, but the key December contract for bond futures rose 0.06 to 123.33 and bond futures drew buying interest on improvements in the supply-demand balance.



COMMODITIES By Richard Moody

Traders look for copper key

At the London Metal Exchange this week, traders and analysts will be anxious to get a better idea of just what is happening to copper stocks.

The total as revealed in the exchange's bi-weekly reports has been falling for a little while and the apparent decline quickened markedly last week. But there is no consensus in the market about the degree of significance of the downturn.

With the LME stocks total down 70,000 tonnes, or 26 per cent, in about six weeks, the market might have been expected to be fairly buoyant. But that period has in fact seen very volatile trading and a net fall in the three months delivery cop-

er price of \$75. The reason, some analysts say, is that recent stocks movements have simply reflected metal being "shuffled around the system", rather than reflecting real demand.

CURRENCIES By Richard Adams

Latest US data may prompt change of mood

What a difference a fortnight makes. Three weeks ago, the international currency markets were agog with speculation over the timing of a rise in US interest rates by the Federal Reserve.

In the event, the Federal Open Market Committee on September 24 declined to raise the Fed Funds rate. Less than two weeks into the next month, its cautious decision has been supported

by data suggesting the US economy has slowed considerably in the third quarter. The previous week's falling non-farm payrolls and rising unemployment were followed on Friday by evidence of shrinking retail sales and industrial output.

Excluding car sales, retail sales in September were up by only 0.4 per cent. That followed a revised 0.5 per cent fall in August fall

The producer price index rose 0.2 per cent last month, after rising 0.3 per cent in August, and core inflation - excluding food and energy costs - was 0.3 per cent.

Deutsche Morgan Grenfell in London said the most pressing question for the dollar is whether the collection of weak September data signals significantly reduced GDP growth and a reduction in inflation.

If it did, the market's mood may switch from expecting the Fed to make its next interest rate move upwards, to looking for rates to move lower next year.

The coming week sees data on housing starts and capacity utilisation released on Thursday, with the US trade balance for August published on Friday.

FT GUIDE TO WORLD CURRENCIES

Table with columns for Country, Currency, and Exchange Rate. Includes entries for Argentina, Australia, Austria, Belgium, Brazil, Canada, etc.

Abbreviations: (A) Free rate; (B) Market rate; (C) Official rate; (D) Parallel rate; (E) Tourist rate; (F) Currency fixed against the US Dollar; (G) Floating rate; (H) Argentin Reciprocity Quotas; (I) Two rate system; (J) Floating rate; (K) Floating rate; (L) Floating rate; (M) Floating rate; (N) Floating rate; (O) Floating rate; (P) Floating rate; (Q) Floating rate; (R) Floating rate; (S) Floating rate; (T) Floating rate; (U) Floating rate; (V) Floating rate; (W) Floating rate; (X) Floating rate; (Y) Floating rate; (Z) Floating rate.

Advertisement for Management Centre Europe (MCE). Text: 'Navigate your company towards success... Take a look at our capabilities: An internal knowledge-base that spans the world, capable of addressing global management issues...'

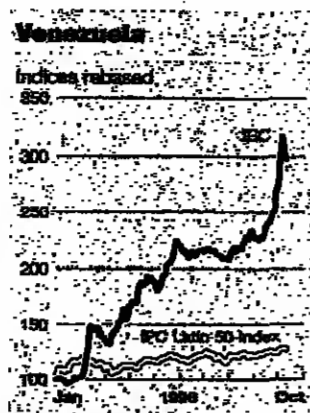
MARKETS: This Week

EMERGING MARKETS By Ray Gault

Buyers rush back to Venezuela

Considered by many a basket case only a few months ago, Venezuela's perspectives of economic growth have reversed, and the Caracas stock exchange in the last 12 months has been catapulted from one of Latin America's worst to its best performing market.

tion bonds (TEMs). The influx of foreign capital in recent weeks has been so strong that authorities are worried about the possibility of an overvalued currency and an excess money supply.



Mr Luis Matos Azocar, the finance minister, who held talks with IMF officials on the impact of recent capital inflows, said "although this is not hot money, but rather longer-term investment, it does create liquidity problems."

investors sensed an opportunity. Assured by Mr Michel Camdessus, head of the International Monetary Fund, that Venezuela was on track to economic recovery, portfolio managers went overweight on Venezuela.

INTERNATIONAL BONDS By Conner Middelmann

Jitters creep into emerging market rally

Emerging market bonds have staged a dizzying rally this year, and although few observers can offer concrete reasons why the ascent should stop, some are now feeling distinctly queasy.

and spreads are going lower, but the news has been so good, and everything has gone so right for the asset class... that it makes me nervous," Mr Barton Biggs, chief strategist at Morgan Stanley, recently wrote.

10-year benchmark bond yields

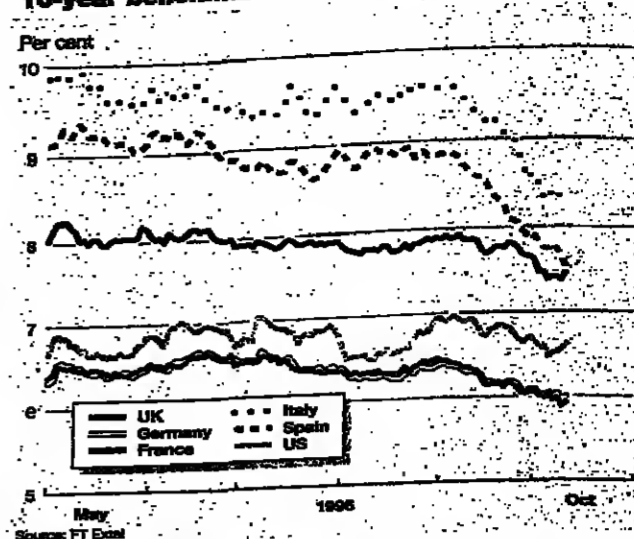


Table titled 'INTEREST RATES AT A GLANCE' showing rates for USA, Japan, Germany, France, Italy, and UK across various terms like Discount, Overnight, Three-month, One year, Five year, and Ten year.

EMERGING MARKETS EMERGING MARKETS INDICES

Table showing weekly, monthly, and year-to-date percentage movements for various emerging market indices including World, Latin America, Europe, and Asia.

What we're seeing in Venezuela is what typically happens in an emerging market before a major share offering. Everybody is taking position before the shares hit the market," he says.

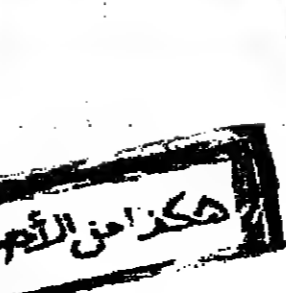
While admitting that his concerns are unsubstantiated and intuitive, he continues: "I find the current investor environment disturbingly euphoric," and added - citing US Treasury undersecretary Mr Larry Summers during the Mexican peso crisis - that "emerging-market debt investors have the courage of a hare, the speed of a deer and the instincts of lemmings."

NEW INTERNATIONAL BOND ISSUES

Large table listing new international bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, and Book-runner.

Advertisement for Sime Darby Berhad, including a notice of annual general meeting with details on date, location, and business resolutions.

Advertisement for 'The Financial Times plans to publish a Survey on Belgium' with contact information for Melanie Miles and Karl Loynton.



CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Oct 11, Closing mid-point, Change on day, Bid/offer spread, Day's mid, High, Low, One month, Three months, One year, J.P. Morgan index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 11, Closing mid-point, Change on day, Bid/offer spread, Day's mid, High, Low, One month, Three months, One year, J.P. Morgan index.

WORLD INTEREST RATES

Table with columns: October 11, Over night, One month, Three months, Six months, One year, Lomb. Inter., Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

Table with columns: Oct 11, BFX, DFC, FFR, DM, SE, L, FI, MCR, Es, Pta, SKR, SFR, C, CS, S, Y, Ecu.

FT GOLD MINES INDEX

Table with columns: Oct 11, % chg, % of total, % of total, % of total, % of total, % of total, % of total, % of total.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Amt, Mkt, 1996, Close, Price, Div, Yld, P/E.

UK INTEREST RATES

Table with columns: Oct 11, Over-7 days, One month, Three months, Six months, One year.

LONDON MONEY RATES

Table with columns: Oct 11, Over-7 days, One month, Three months, Six months, One year.

UK INTEREST RATES

Table with columns: Oct 11, Over-7 days, One month, Three months, Six months, One year.

UK GILTS PRICES

Table with columns: Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt, Wt % of Govt.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate.

STOCK INDICES

Table with columns: Oct 11, Oct 10, Oct 9, Oct 8, Oct 7, High, Low, High, Low, High, Low.

EURO CURRENCY INTEREST RATES

Table with columns: Oct 11, Short term, 7 days, One month, Three months, Six months, One year.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest price, 1996, High, Low, Stock, Closing price, % chg.

STOCK INDICES

Table with columns: Oct 11, Oct 10, Oct 9, Oct 8, Oct 7, High, Low, High, Low, High, Low.

OTHER FIXED INTEREST

Table with columns: Oct 11, Oct 10, Oct 9, Oct 8, Oct 7, High, Low, High, Low, High, Low.

STOCK INDICES

Table with columns: Oct 11, Oct 10, Oct 9, Oct 8, Oct 7, High, Low, High, Low, High, Low.

NOTICE OF SPECIAL REDEMPTION

Stitching Restructured Obligations Backed by Senior Assets 2 (ROSA 2) and Restructured Obligations Backed by Senior Assets 2 (ROSA 2) B.V. Secured Senior Floating Rate Notes due January 15, 2002.

Petroleum Argus European Natural Gas Report. Components: A daily report covering the UK and European gas markets.

Signal. Get real-time quotes, Forex rates and news headlines on your PC with Signal! For more information call 44 + 171 626 6101 ext. 2a.

THE TOP OPPORTUNITIES SECTION. For senior management positions. For information please contact: Robert Hunt +44 0171 873 4095.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector, including names like Diageo, Heineken, and Carlsberg, with columns for share price and change.

BANKS, MERCHANT

Table listing banks and merchant companies such as HSBC, Citigroup, and Royal Bank of Canada.

BANKS, RETAIL

Table listing retail banks like Lloyds TSB, NatWest, and Halifax.

BREWERIES, PUBS & REST

Table listing breweries and pub/restaurants like Asahi, Heineken, and Wm. Sherrin.

BUILDING & CONSTRUCTION

Table listing building and construction companies like Bovis Lend Lease and Bovis Lend Lease.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchants like Bunnings and Wickes.

CHEMICALS

Table listing chemical companies like ICI, BASF, and DuPont.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing distribution companies like Asda and Sainsbury.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies like BHP and Anglo American.

ELECTRICITY

Table listing electricity companies like British Energy and EDF.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies like Philips and Hitachi.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment sector table.

ENGINEERING

Table listing engineering companies like BAE Systems and GE.

ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies like Ford and Renault.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies like Anglo American and BHP.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing food producers like Unilever and Nestle.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing gas distribution companies like British Gas and Gaz de France.

HEALTH CARE

Table listing health care companies like Glaxo and Pfizer.

HOUSEHOLD GOODS

Table listing household goods companies like Hoover and Zanussi.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing insurance companies like Aviva and Allianz.

INVESTMENT TRUSTS

Table listing investment trusts like Fidelity and Schroders.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INV TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts like Fidelity and Schroders.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS

Table listing investment trusts like Fidelity and Schroders.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS

Table listing investment trusts like Fidelity and Schroders.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS

Table listing investment trusts like Fidelity and Schroders.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

Advertisement for Rockwell, featuring the text 'In the world of automotive component systems, Rockwell is world class.' and the Rockwell logo.

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MY TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, % change, Div, and Expiry.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, % change, Div, and Expiry.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, % change, Div, and Expiry.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, % change, Div, and Expiry.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for Name, Price, % change, Div, and Expiry.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, % change, Div, and Expiry.

MEDIA

Table listing media companies with columns for Name, Price, % change, Div, and Expiry.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, % change, Div, and Expiry.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, % change, Div, and Expiry.

PROPERTY

Table listing property companies with columns for Name, Price, % change, Div, and Expiry.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, % change, Div, and Expiry.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, % change, Div, and Expiry.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, % change, Div, and Expiry.

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, % change, Div, and Expiry.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, % change, Div, and Expiry.

PROPERTY - Cont.

Table listing property companies (continued) with columns for Name, Price, % change, Div, and Expiry.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, % change, Div, and Expiry.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, % change, Div, and Expiry.

TOBACCO

Table listing tobacco companies with columns for Name, Price, % change, Div, and Expiry.

TRANSPORT

Table listing transport companies with columns for Name, Price, % change, Div, and Expiry.

AMIs - Cont.

Table listing AMIs (American Investment Market Index) with columns for Name, Price, % change, Div, and Expiry.

AMERICANS

Table listing American companies with columns for Name, Price, % change, Div, and Expiry.

CANADIANS

Table listing Canadian companies with columns for Name, Price, % change, Div, and Expiry.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, % change, Div, and Expiry.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service containing detailed information on how to use the service, including symbols and abbreviations.

FT Share Service

Information about FT Share Service, including contact details and subscription information.

FT Free Annual Reports Service

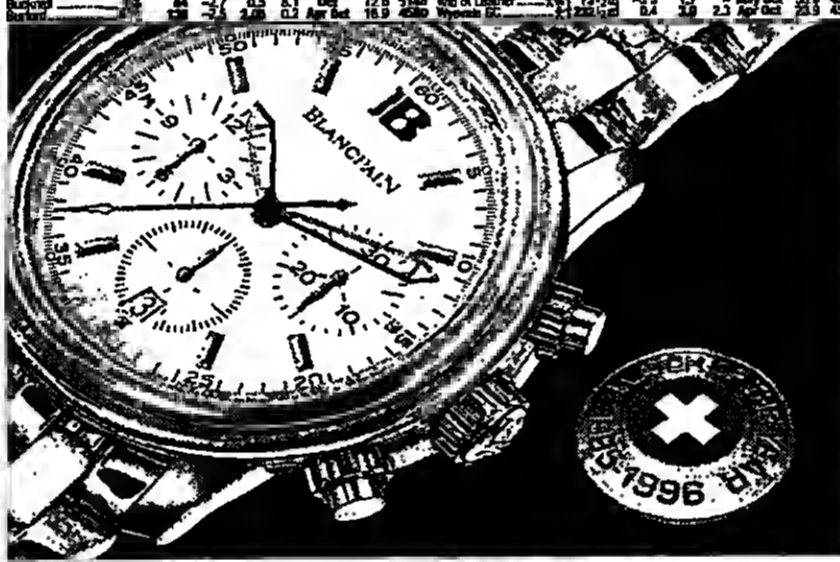
Information about FT Free Annual Reports Service, including how to request reports.

FT Company Focus / Focus Plus

Information about FT Company Focus / Focus Plus, including details on the reports provided.

FT Cityline

Information about FT Cityline, including details on the share price and news service.



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under Bermuda (SIB RECOGNISED) with columns for Name, Price, and Yield.

BERMUDA (REGULATED)**

Table listing various offshore funds under Bermuda (REGULATED)** with columns for Name, Price, and Yield.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under Guernsey (SIB RECOGNISED) with columns for Name, Price, and Yield.

GUERNSEY (REGULATED)**

Table listing various offshore funds under Guernsey (REGULATED)** with columns for Name, Price, and Yield.

Small International (Guernsey) Ltd

Table listing various offshore funds under Small International (Guernsey) Ltd with columns for Name, Price, and Yield.

IRELAND (SIB RECOGNISED)

Table listing various offshore funds under Ireland (SIB RECOGNISED) with columns for Name, Price, and Yield.

GUERNSEY (REGULATED)**

Table listing various offshore funds under Guernsey (REGULATED)** with columns for Name, Price, and Yield.

AGI Asset Management Ltd

Table listing various offshore funds under AGI Asset Management Ltd with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

Trainer Wortham & Company Inc

Table listing various offshore funds under Trainer Wortham & Company Inc with columns for Name, Price, and Yield.

ISLE OF MAN (SIB RECOGNISED)

Table listing various offshore funds under Isle of Man (SIB RECOGNISED) with columns for Name, Price, and Yield.

ISLE OF MAN (REGULATED)**

Table listing various offshore funds under Isle of Man (REGULATED)** with columns for Name, Price, and Yield.

ISLE OF MAN (REGULATED)**

Table listing various offshore funds under Isle of Man (REGULATED)** with columns for Name, Price, and Yield.

Advertisement for Imperial Cancer Research Fund featuring a photo of a woman and text: 'Every day, we help thousands of people like Zoe fight cancer. Give people with cancer a fighting chance...'

Advertisement for Jersey (SIB RECOGNISED) listing various offshore funds with columns for Name, Price, and Yield.

Advertisement for Jersey (SIB RECOGNISED) listing various offshore funds with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

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AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

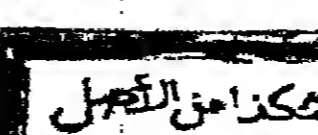
Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.

AGI Asset Management Ltd - Contd.

Table listing various offshore funds under AGI Asset Management Ltd - Contd. with columns for Name, Price, and Yield.





Offshore Funds and Insurances

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LUXEMBOURG (SIF RECOGNISED)

Table listing various offshore funds and insurance products from Luxembourg, including fund names, ISIN codes, and prices.

FT MANAGED FUNDS SERVICE

Main table listing FT Managed Funds Service products, including fund names, ISIN codes, and prices.

LUXEMBOURG (REGULATED)

Table listing regulated offshore funds from Luxembourg, including fund names, ISIN codes, and prices.

OFFSHORE

Table listing offshore funds from various jurisdictions, including fund names, ISIN codes, and prices.

OFFSHORE

Table listing offshore funds from various jurisdictions, including fund names, ISIN codes, and prices.

OFFSHORE

Table listing offshore funds from various jurisdictions, including fund names, ISIN codes, and prices.

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Table listing offshore funds from various jurisdictions, including fund names, ISIN codes, and prices.

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OFFSHORE

Table listing offshore funds from various jurisdictions, including fund names, ISIN codes, and prices.

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

Table of stock market data for Europe, including sections for Austria, Belgium, Denmark, Germany, France, Greece, Italy, Ireland, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

ASIA

Table of stock market data for Asia, including sections for Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, and Taiwan.

AMERICA

Table of stock market data for America, including sections for Canada and the United States.

AFRICA

Table of stock market data for Africa, including sections for South Africa and other regional markets.

INDEXES

Table of various stock indices including S&P 500, Nikkei, Dow Jones, and others, with columns for price, change, and volume.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, and others, with columns for price, change, and volume.

MARKETS

Table of market data including bond yields, interest rates, and other financial indicators.

COMMODITIES

Table of commodity prices including oil, metals, and agricultural products.

INDEX FUTURES

Table of index futures contracts including S&P 500, Nikkei, and others.

US INDICES

Table of US indices and market data including Dow Jones, S&P 500, and others.

MARKETS

Table of market data including bond yields, interest rates, and other financial indicators.

COMMODITIES

Table of commodity prices including oil, metals, and agricultural products.

Advertisement for Peregrine: 'We speak Asia's language. Peregrine is a leader in Asian corporate and project finance, direct investment and asset management.'

US INDICES

Table of US indices and market data including Dow Jones, S&P 500, and others.

COMMODITIES

Table of commodity prices including oil, metals, and agricultural products.

Footnote and disclaimer text: 'PT Free Annual Reports Service... The FT Index is a composite of the highest and lowest values of the index has reported during the day...'

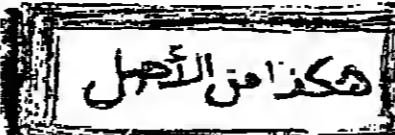
NEW YORK STOCK EXCHANGE PRICES

4 pm close October 17

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the slogan 'Reach for it. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Continued on next page



NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for FT Free Annual Reports Service and AMEX PRICES.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices, organized into multiple columns with stock names, prices, and changes.

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